BANCO Hipotecario

ANNUAL REPORT FOR FISCAL YEAR ENDED DECEMBER 31, 2018, INCLUDING CHAIRMAN'S LETTER TO THE SHAREHOLDERS, SUSTAINABILITY REPORT, AND REPORT ON CORPORATE GOVERNANCE CODE

LETTER TO THE SHAREHOLDERS OF BANCO HIPOTECARIO SA

On behalf of the Board of Directors of Banco Hipotecario, I am pleased to submit to your consideration the Annual Report for fiscal year ended December 31, 2018, along with the Sustainability Report and the Report on the Corporate Governance Code, which are incorporated as Exhibits hereto.

Let me take this opportunity also to relay to you some positive aspects of the actions taken during the fiscal year under review, which allowed Banco Hipotecario to post a profit of around AR$ 2,051 million through its several lines of business. In this respect, the shareholders are hereby informed that the project to distribute earnings to be proposed at our Shareholders' Meeting is included as an Exhibit entitled "Project to Distribute Earnings" to this Annual Report.

In my view, the profits posted by the Bank are satisfactory in the light of the economic context in which its business was immersed. During fiscal year 2018, the Argentine economy went through a period of change and transition, displaying certain imbalances in some variables that caused the local currency to depreciate and inflation to hike well above expected levels. The behavior of the Argentine economy was attributable to both external and internal factors. On the international front, regional economies had to face substantial instability brought about by several factors, including the interest rate hikes implemented by the US Federal Reserve, and international trade strains resulting from certain protectionist measures adopted by major economies worldwide, primarily, as a result of the trade conflict between China and the United States. The uncertainties faced by the global economy resulted in the closure of voluntary debt markers for emerging countries, taking its toll on Argentina by reason of its significant reliance on external indebtedness to fund its fiscal imbalance. Against this backdrop, in May this year the Argentine Government decided to resort to the International Monetary Fund for preventive financing, in an attempt to provide stability to the local market, while throwing off all expectations for a potential default on its financial obligations in the future.

Effective since October 1, 2018, the Argentine Central Bank put a new monetary policy in place aimed at causing inflation to decline and recover a nominal anchor for the economy, discontinuing the "inflation target" arrangement it had previously developed, with no success. The new policy adopted by the Argentine Government is based on a "monetary base zero growth target" to shrink the money supply, and on the application of the guidelines set forth in the Argentine Budget Law, which envisages a zero primary deficit for the current year. The monetary target was supplemented with the establishment of intervention and non-intervention zones by the Argentine Central Bank in the FX market. In order to control the system's liquidity, the Argentine Central Bank raised the minimum cash reserve requirements to be met by banks and has been conducting daily auctions of Liquidity Bills (in Spanish, known as LELIQ) to be subscribed by financial institutions only. In order to achieve its monetary base zero growth target, the Argentine Central Bank is keeping interest rates high (initially, at 60%) it its LELIQ auctions; however, it has announced that it will cut them down as inflation declines. During the last quarter of the year, there was a substantial decline in SMEs' and large corporations' demand for financing, as a consequence of high borrowing costs, and declining sales and capital expenditures. Consumer loans also displayed a drop, due to several factors, including high interest rates, declining household income, and reduced spending.

However, the financial system has continued showing signs of strength vis-a-vis the risks faced, keeping relatively high liquidity and solvency levels, and maintaining its ability to discharge its intrinsic duties as intermediary and provider of means of payment to the economy. This behavior was facilitated by the prudential regulatory framework the Argentine Central Bank has put in place, which combine international standards with lessons learned from past financial crises.

As concerns Banco Hipotecario, the measures that resulted in the downturn of the Argentine economy caused the growth pace of its lending portfolio to slow down, compared to the previous fiscal year, since our lending portfolio grew by 27% only, while inflation accounted for 47.6. However, as a result of the quality and profitability of our financial assets and our cost-cutting policy in place, at year-end we posted a net profit of AR$ 2,051 million.

On the other hand, on May 8, 2018 our Ordinary Shareholders' Meeting approved a capital stock increase for up to nine-hundred million Argentine Pesos (AR$ 900,000,000), by issuing Class “A,” “B,” “C,” and “D” common shares of stock on a proportional basis to the number of outstanding shares of each class, with additional paid-in capital and entitling holders to the right to cash dividends since the subscription date. The Class “D” shares to be issued will be offered by public offering in local and foreign capital markets. This will be the first capital stock increase since the commencement of the Bank's privatization process and its completion will significantly boost its development. The prevailing economic situation and its adverse impact on markets compelled us to postpone the issue of shares, as we wait for conditions to improve, which is expected to happen during the course of 2019.

I do not want to miss this chance to express that our actions have been inspired by our deeply-ingrained sense of commitment to corporate social responsibility, as evidenced by our involvement in solidarity activities, and our contributions geared towards fostering non-profit efforts aimed at improving the quality of life of the community. Such actions are outlined in our sustainability report, which is part of the accompanying Annual Report. The information on which this document is based is the result of the efforts of all of the Bank's employees, who display a sustained and comprehensive sense of belonging.

The accompanying Annual Report describes in detail the Bank’s balance sheet and financial position for fiscal year 2018, along with some of the strategies expected to be pursued in 2019 to continue consolidating the Bank’s growth.

Lastly, I wish to extend my gratefulness to all those who have contributed to our management actions and like us, strive for a vigorous Banco Hipotecario to serve the community.

Autonomous City of Buenos Aires, March 6, 2019

Saúl Zang
On behalf of the Board of Directors

TABLE OF CONTENTS:

1. MACROECONOMIC CONTEXT.

Since the last months of 2018, Argentina has been implementing an economic policy known as "double zero", encompassing the shrinking of its money supply - monetary base zero growth - and the fulfillment of zero primary deficit targets established in the National Budget Law.

However, there are several risk factors that might derive in stress events, leading to reduced access to financing through international markets and increased exchange rate volatility.

On the other hand, the Argentine economy presents several strengths, including relatively healthy sectorial balance sheets, scarcely concentrated exports in terms of recipients, the Central Bank’s international reserve accumulation strategy, and banks with low exposure to the public sector, which would ease the potential effects from an external source of risk.

1.1. International Context.

During most of 2018, international financial markets were marked by interest rate hikes and less monetary stimulus from the US Federal Reserve ("Fed"), along with signals of trade tensions among some of the largest economies worldwide, caused by certain protectionist trade policies, primarily between China and the United States. Such developments took their toll on emerging and border economies, with massive capital flights, country risk premium hikes, and depreciation of their respective currencies, with the ensuing closure of voluntary debt markets. Amidst this international context, the most affected economies were those that had been experiencing pronounced external imbalances and/or high indebtedness levels.

Global economic activity performance was more favorable during the last part of the year, including Argentina's main trade partners. Projected growth for 2019, in line with projected real exchange rate levels, leads to expect a pronounced improvement in the Argentine external sector's performance, with positive impacts on local activity levels.

Considering the impairment of financial conditions, along with Argentina’s trade partners' behavior, the international context poses a mixed scenario for our country. The major risks the local economy will have to face from the international context include even tighter international financial conditions and more stringent protectionist measures.

1.2. Local Context.

Inflation experienced strong acceleration during the last part of 2018, hitting a monthly average of 3.97%. During the year under review, the consumer price index reported by the Argentine Institute of Statistics and Census (INDEC) stood at 47.6%, with a monthly mark of 6.5% in September—the year's record high. Such increase was brought about by the depreciation of the local currency, which began in April and was remarkably pronounced in late August. This FX instability event brought about more uncertainties, caused inflation to increase even further, and posed the risk of unanchored inflation expectations.

In an attempt to recover the expectation anchor and return to the disinflation path, in late September the Argentine Central Bank introduced changes in its monetary policy, dropping the inflation target arrangement it had implemented until that time. Such an arrangement proved unsuccessful, despite the fact that inflation targets are widely used worldwide—both by advanced and emerging economies—and have been successful in ensuring nominal stability.

The new monetary policy in place since October 1, 2018 reflects the need for establishing a specific and robust commitment, readily observable and verifiable by the general public.

Accordingly, the Central Bank has committed to refraining from expanding the monetary base until June 2019. If we consider the monetary base had been growing at a pace above 2% per month, achieving zero growth seems quite a challenging goal.

Yet, the monthly nominal monetary base zero growth target will only be adjusted for December's and June's seasonality, when demand for money tends to increase, so as to avoid an extremely contractionary monetary policy bias. The monetary base target is supplemented with the establishment of intervention and non-intervention zones in the FX market. The non-intervention zone was set on October 1, 2018, with a lower limit of AR$ 34-USD 1.00, and an upper limit of AR$ 44-USD 1.00. These limits are adjusted on a daily basis at a monthly rate of 3%. When the non-intervention zone is surpassed, the Argentine Central Bank may sell US dollars on a daily basis for up to USD 150 million, causing additional monetary contraction at times when the Argentine Peso is weaker. Conversely, the Central Bank may purchase US dollars when the local currency appreciates, standing below the non-intervention zone. The Argentine Central Bank may decide whether or not to withdraw the Argentine Pesos injected to the market by way of the purchase of foreign currency, depending on the pace of inflation and expected inflation. Within the non-intervention zone, the exchange rate floats freely. This arrangement adequately combines the benefits of FX flexibility to cope with real shocks with the ability to restrain excessive and disruptive fluctuations that may arise in a FX market still not too deep as it is ours.

The new monetary policy in place is also consistent with the primary fiscal balance targets for 2019 and surplus for 2020 established by the Ministry of Finance. The Argentine Central Bank no longer makes transfers to the Treasury. The elimination of this source of monetary base growth reinforces the monetary authority’s commitment to causing inflation to decline over the time, and marks the end of previous years’ growing stock of Central Bank Bills (known in Spanish as LEBAC), which in the future will not be part of the LELIQ dynamics.

In terms of economic activity, GDP fell during the second half of the year by approximately 4% s.a., relative to the first half of the year. The strong decline in agricultural output as a result of the draught was a determining factor of such performance; however, there was also a 1.1% decrease s.a. in non-agricultural output, brought about by the financial and FX tensions that took place since April 2018.

In the Argentine Government's view, the monetary base zero growth plan, along with the announcement of the zero primary fiscal deficit target for 2019, is the tool required to calm down these uncertainties and curb expectations and inflation rates in the months ahead.

A more competitive real exchange rate will help drive tradable sectors and will contribute to revert the current account imbalance, along with the fiscal deficit adjustment. From this perspective, the Argentine Government expects economic activity to start experiencing a gradual rebound during the first part of 2019, on more sustainable bases than in the past, allowing the country to return to the expansionary phase of the business cycle.

1.3. Status of the Financial System.

The financial system has displayed clear signs of strength against the realization of the risks faced, keeping relatively high liquidity and solvency levels, and maintaining its ability to discharge its intrinsic duties as intermediary and provider of means of payment to the economy. This behavior was facilitated by the prudential regulatory framework laid down by the Central Bank, which combines international standards with lessons learned from past financial crises.

Pressures in the FX market since late August were accompanied by a strong increase in inflation and a significant change in the perspectives about the local economy performance, which is entering the recession phase of the business cycle. In an attempt to curb financial strains, the Argentine Central Bank made progress in implementing new policy measures, encompassing interventions in the FX market, additional hikes in reference interest rates, increases in reserve requirements for financial institutions, and gradual decrease in the stock of LEBACs, amidst a context in which the monetary authority is no longer making transfers to the Treasury. These measures were accompanied by the strengthening of the fiscal consolidation process and the renegotiation of the agreement with the IMF executed in June, allowing to increase the available tax resources and dispel markets' uncertainties about the 2018-2019 financial program.

As discussed above, since early October and in the face of rising uncertainties, particularly, by late August and September, the previous inflation target-based monetary policy was replaced with controls of monetary aggregates.

As a key instrument to implement this monetary policy, the Argentine Central Bank has been conducting daily auctions of Liquidity Bills (“LELIQ”) with banks in order to control the system's liquidity supply and demand, and contain the demand for US dollars. In order to meet its monetary base zero-growth target, the monetary authority committed to keeping LELIQ minimum interest rates high (initially, these rates were set at 60%), until inflation gives in. In addition, the Argentine Central Bank raised the minimum cash reserve requirements to be met by financial institutions, allowing them to pay in a portion of such requirements out of LELIQs.

Despite the fact the high nominal interest rates implemented by the monetary authority affect financial intermediation, such rates are expected to be cut down, as expected inflation declines.

In the face of this baseline scenario expected by the Argentine Government, following the enforcement of the recently adopted monetary policy measures, banks' loan portfolio quality is expected to be impaired in the months ahead, affected by the development of economic activity and high interest rates. This notwithstanding, so far, the outcomes of the stress tests performed by the Argentine Central Bank on credit risk continue to point to limited impacts at an aggregate level—with no changes relative to the outcomes from previous Financial Stability Reports—with a substantial degree of resilience in the sector against even more adverse scenarios in terms of this type of risk.

The financial system has significant capitalization levels, while its profitability has not experienced sudden changes. Banks have continued displaying strong hedging levels against liquidity risk, as deposits performed relatively well, in the face of the adverse macroeconomic context in which the sector was immersed, while bank loans lost some momentum compared to previous months. Banks' foreign currency mismatch is relatively limited, with low dollarization of their balance sheets and exposures in foreign currency to sectors with foreign currency-linked revenues. In compliance with applicable prudential rules and regulations, the Argentine Central Bank will continue monitoring the existing sources of risk and the financial system's evolution within the current economic situation, being equipped with prudential monetary policy instruments to be used if and when needed.

2. BALANCE SHEET AND INCOME STATEMENT, DISCUSSION AND ANALYSIS OF OPERATIONS.

2.1. Balance Sheet (a).

Consolidated Balance Sheet - Presented on a Comparative Basis (Figures in thousands of pesos)	For the fiscal year ended		Annual
	December 31, 2018	December 31, 2017	Change (%)
Assets			
Cash and deposits held in banks	8,832,786	3,951,549	123.5%
Debt securities at fair value through profit or loss	19,287,877	14,867,830	29.7%
Derivative instruments	69,478	46,217	50.3%
Repo transactions	589,474	115,164	N/A
Other financial assets	2,311,097	1,735,715	33.1%
Non-financial public sector	29,146	89,573	(67.5)%
Financial sector	415,506	455,718	(8.8)%
Non-financial private sector and residents abroad	43,122,012	38,799,268	11.1%
Loans	43,566,664	39,344,559	10.7%
Other debt securities	1,700,018	618,151	175.0%
Financial assets pledged as collateral	2,007,114	2,187,842	(8.3)%
Investments in subsidiaries, associates and joint ventures	13,364	10,854	23.1%
Bank premises & equipment	1,497,432	2,819,167	(46.9)%
Other assets	4,686,261	868,205	N/A
Total assets	**84,561,565**	**66,565,253**	**27.0%**
Liabilities	29,307,580	20,803,763	40.9%
Deposits	751,511	-	N/A
Liabilities at fair value through profit or loss	136,281	65,756	107.3%
Derivative instruments	65,188	1,061,552	(93.9)%
Repo transactions	7,547,776	5,809,110	29.9%
Other financial liabilities	657,696	496,001	32.6%
Financing from the Central Bank and other financial institutions	31,660,467	26,589,820	19.1%
Negotiable obligations issued	434,006	168,092	158.2%
Current income tax liabilities	306,876	397,633	(22.8)%
Provisions	3,603,000	2,938,440	22.6%
Other non-financial liabilities	**74,470,381**	**58,330,167**	**27.7%**
Total liabilities			
Shareholders' equity attributable to non-controlling interests	292,384	287,921	1.6%
Shareholders' equity attributable to the controlling company	**9,798,800**	**7,947,165**	**23.3%**
Total shareholders' equity	10,091,184	8,235,086	22.5%

Note (a): The items and amounts as presented in the balance sheet included in this document do not necessarily match those in the Entity's financial statements which are prepared in line with the Argentine Central Bank's rules.

2.2. Lending Products.

As of December 31, 2018, the Bank's assets totaled AR$ 84,561.6 million, a 27.0% increase vis-a-vis the AR$ 66,565.3 million recorded in 2017. Out of this balance, the item Loans accounts for 51.5% of the Bank's assets, or AR$ 43,566.7 million in nominal terms, equivalent to a 10.7% increase relative to AR$ 39,344.6 million recorded in 2017.

2.2.1. Mortgage Loans.

Mortgage loans are the Bank's hallmark product, while they are also an anchor product for they help to build a long-term relationship with customers.

In the course of 2018, the Bank strengthened the origination of UVA-linked mortgage loans out of its own equity. These loans are primarily intended to fund the construction, acquisition, completion and enlargement of first and second homes for the general public and customers holding payroll accounts. In addition, the Bank continued pursuing the development of the PRO.CRE.AR *Solución Casa Propia* program.

During the year under review, the Bank, in an attempt to facilitate access to credit, developed a new digital origination channel which allows potential applicants to get to know the amount of credit they may access to and populate their loan applications, without the need for visiting a branch, which reduces processing times.

As concerns the PRO.CRE.AR *Solución Casa Propia* program, in 2018 the Bank engaged in a new arrangement known as PRO.CRE.AR *Ahorro Joven*, which allows beneficiaries who wish to buy their home, but do not have the required previous savings, to save money during a term of 12 months through UVA-linked time deposits. The Argentine Government grants a subsidy to beneficiaries of this program, based on the amount of savings achieved at the time the mortgage loan is granted.

In turn, upon the end of the savings period, the Bank grants credit to eligible beneficiaries earning formal or informal income. This new program lays the groundwork to build a long-term savings culture in adjustable currency.

2.2.2. Personal Loans.

In the year 2018, the origination target was set at approximately AR$ 7,981 million in volume and 144,058 transactions in terms of sales. This product accounts for a 1.9% market share in terms of stock and approximately 0.8% in terms of monthly origination.

Currently, we offer financing to our customers within the fixed-rate retail personal loan segment payable in up to 80 months—at present, the authorized term is up to 60 months—for an aggregate amount of up to AR$ 1 million.

The channels through which customers are offered and may take this product are primarily our branch network, prospect telemarketing sales, and Home Banking offers to our preexisting customers.

We also offer credit to our customers within the microcredit segment to make minor home repairs at fixed rate and payable in up to 60 months, for an aggregate principal amount of AR$ 30,000. Our microcredit volume at year-end is lower than half a million pesos.

2.2.3. Credit Cards.

During 2018, the Bank, as part of its ongoing improvement program, continued to focus on the profitability of this product, cutting costs associated with inefficiencies in several aspects, including: distribution and delivery, processing, delta between cut-off and expiration dates, exchange rate to convert purchases in US dollars, and card issuance and plastic technologies, customers' campaigns, and discount arrangements. In addition, we made changes to the retention criteria in the profitability/customer value matrix, offering benefits according to the profitability category, and primarily implemented the design of product bundles, based on the credit card segment the customer is within or qualifies for.

At year-end, we had more than 700,000 active credit cards, with a total volume of around AR$ 14,135 million. Our product offering encompasses credit cards under the following brands—VISA Nacional, Internacional, Gold, Platinum and Signature—featuring several benefits and value propositions, according to each customer's segment, based on the consumer's behavior, financial strength, and credit scoring. These credit cards are offered by our branches, specialized telemarketing efforts, and co-branding marketing stands. Our variety of credit card products includes credit cards under cobranding agreements, one with Hipermercado Libertad, which is offered to medium- and low-income customers, and the other one with Aerolíneas Argentina, which is offered to medium- and high-income customers. This product has a 5% market share in the VISA system countrywide.

2.2.4. Insurance Business.

As an Insurance Agent, at year-end we completed 258,000 sales, with a portfolio of 853,000 current insurance policies. Accrued premiums for the year amounted to AR$ 1,282 million, accounting for a 32% increase relative to the previous year.

This is the result of our portfolio marketing strategy, cross-sales to new customers gained by our branch network, and the inclusion of insurance into digital channels, primarily, Home Banking. Incoming calls were incorporated as an additional channel to streamline the points of contact with our customers, who are offered insurance against ATM theft and purchase protection.

This is also the result of price adjustments on new sales, segmented by channel, and of the spread derived from the change in the portfolio pricing adjustment methodology. Also during the year, we focused on new retention efforts to contain portfolio losses.

We also posted fee income as a result of promotional actions and customer referrals for several multi-assistance product offerings.

Finally, our indirect subsidiaries—BHN Vida SA and BHN Seguros Generales SA—deliver insurance-related services; therefore, net income from BHN Sociedad de Inversión SA (the insurance subsidiaries' controlling company) is disclosed under miscellaneous earnings in the Bank's financial statements.

2.2.5. Corporate Loans.

During the year 2018, our corporate loan portfolio amounted to AR$ 10,100 million, equivalent to an increase of AR$ 1,800 million vis-a-vis fiscal year 2017. The credit offering was mainly targeted to the oil & gas, power generation, agricultural, and real estate sectors.

We have continued pursuing a commercial strategy targeted at maintaining a portfolio with balanced terms, currencies and rates, with the credit offering being focused on variable rate transactions and adequate credit risk exposure.

Through teams with expertise in each business area, the Bank has managed to maintain its position in structuring capital market transactions.

2.2.6. SMEs Loans.

The Bank continued to consolidate the SME segment during the year 2018 by developing new customers, consolidating the relationship with the existing ones, and developing and hiring human capital specialized in this segment, particularly, at branches, with a view to increase its footprint in the short term.

The SME segment has 3,200 customers from a broad variety of sectors, 900 of whom have agreed-upon credit facilities in the amount of AR$ 6,600 million. As of year-end, the Bank's credit exposure to SMEs was around AR$ 1,700 million, with secured loans accounting for 82% of that total.

Also during the year, the Bank implemented a transactional business growth strategy, with special emphasis on SME customers with credit positions in an attempt to offer them collection and payment products and services; and to customers from the SME segment, such as schools, institutions, funds or similar entities, leveraging the synergy with our branch network countrywide, through comprehensive commercial proposals.

On the other hand, we have maintained our share in the reciprocal guarantee company market, a substantial tool for SMEs financing, onboarding new customers, working on the value chain of reciprocal guarantee companies, and taking care of the portfolio credit quality.

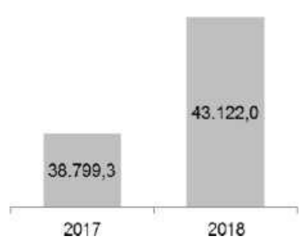
2.3. Our Loan Portfolio: breakdown.

The portfolio of private sector loans rose by 11.1%, mainly due to growth in consumer loans (7.8%) and commercial loans (15.3%).

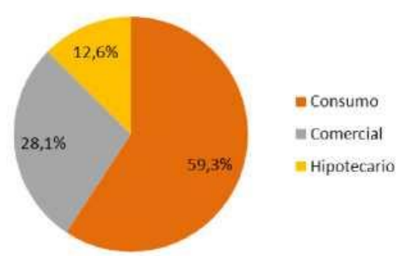
At year-end, the breakdown of the portfolio of private sector loans was as follows: 71.9% in consumer and mortgage loans and 28.1% in commercial loans.

Secured loans, with different types of collateral, stood at 12.6%.

Loans to the Private Sector (in million Pesos)



Loans to the Private Sector (in %)



Where "Hipotecarios" stands for Mortgage Loans, "Consumo" stands for Consumer loans and "Comercial" stands for Commercial loans.

2.4. Borrowing Products.

As of December 31, 2018, the Bank's fundamental sources of funding are deposits and negotiable obligations. As of December 31, 2018, the Bank's deposits totaled AR$ 29,307.6 million, equivalent to a 40.9% increase vis-a-vis the AR$ 20,803.8 million recorded in 2017. During the same period, the balance of negotiable obligations amounted to AR$ 31,660.5 million, or a 19.1% increase relative to the AR$ 26,589.8 million recorded in 2017.

2.4.1. Sight Deposits.

During the year 2018, account captures focused mainly on the segments from cross sales with credit cards, personal and mortgage loans, payroll direct deposit, and acquisition of product bundles, succeeding in opening 130,939 new accounts denominated in pesos, with 51% active accounts, according to the origination levels existing at the beginning of the year. Forty six per cent (46%) of these new accounts were opened at our branches, while 25% of them were opened through our electronic channels, particularly, Home Banking. In turn, credit card payments by direct debit rose by 73%.

Also during the year, the Bank opened 145,235 accounts in US dollars for customers with an operational account in pesos, and continued encouraging US-dollar trading via Home Banking, with a USD 16.6 thousand rise in the average balance.

Specific actions were also taken to foster customer loyalty and account usage. These actions were focused on incentivizing cross sales with other products at the point of sale, the use of the account as a means of payment and consumption through benefits in different captions, stores, supermarkets and shopping centers.

In mid-2018, we began marketing retail banking product bundles to increase cross-sales to our existing customer base, encourage the use of savings and checking accounts, and reinforce the use of such accounts as a means of payment. As of December 31, 2018, we had sold 36,000 bundles.

As of December 31, 2018, Retail Banking average total volume for Savings Accounts in AR$, Checking Accounts, and Savings Accounts in USD amounted to AR$ 3.1 million, AR$ 15.9 thousand, and USD 81.4 thousand, respectively.

2.4.2. Term Deposits.

Our term deposit taking strategy was aimed at reaffirming the criteria of sustainability, quality and optimization of portfolio profitability. In so doing, different approaches were used depending on whether the customers were institutions or individuals. Different interest rates were applied to different segments which allowed the bank to optimize its funding costs. In addition, individual customers were offered a differential rate by term and amount, with the ensuing improvement in the profitability of each tranche.

The Bank managed to increase the balances of fixed-term deposits from individuals in the entire branch network by AR$ 1,864 million and with over 39,000 customers, underpinned by open market promotions and customer loyalty efforts addressed at customers with term deposits and other products offered by the Bank, segmenting customers within the Payroll Direct Deposit segment from the rest of the portfolio, to offer a more suitable portfolio.

At year-end, we launched a new term deposit product known as *Plazo Fijo Logros*, intended to boost customers' savings in term deposits to achieve a specific goal.

As concerns managing institutional customers, leadership at the branches in the Argentine provinces continued to be reinforced. Emphasis was placed on customized service and on a segmented offering of products depending on the type of customer.

Furthermore, the Bank continued to deploy the strategy for the promotion of and referral to electronic channels to make term deposits, such as Home Banking, TAS, IVR and Mobile Banking, thus fostering the use of accounts generating float. This improved cross sell indexes and boosted profitability.

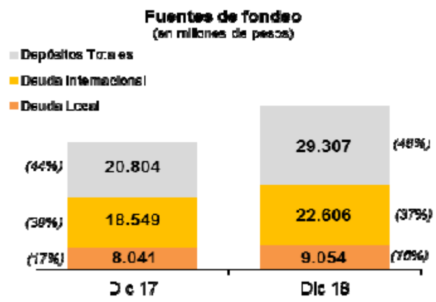
As of December 31, 2018, Retail Banking average total volume of Term Deposits in AR$, UVA-denominated Term Deposits (denominated in AR$), and Term Deposits in USD amounted to AR$ 9.6 million, AR$ 236.3 thousand, and USD 42.2 thousand, respectively.

2.4.3. Other Funding Sources.

In 2018, the Bank placed Negotiable Obligations in the local market for an aggregate principal amount of AR$ 1,047.3 million, with an average term of 36 months.

The Bank continues pursuing its funding source diversification strategy, based on sight and term deposits and debt security placements in debt capital markets (DCM).

Funding Sources
(in thousands of Pesos)



Where "Depósitos Totales" stands for Total Deposits; "Deuda Internacional" stands for International Indebtedness; and "Deuda Local" stands for Local Indebtedness.

2.5. Structure of Assets and Liabilities.

The Bank maintains a balanced structure of assets and liabilities to help it continue pursuing its growth strategy. In this respect, in recent years the Bank's strategy has been to subordinate loan origination to the generation of quality liabilities.

Besides, the Bank continued to endeavor to diversify liabilities increasing the share of local negotiable obligations, particularly, in local currency to avoid generating foreign exchange exposures.

As a result of the financial administration policy in place, the Bank has managed to maintain liquidity reserves for approximately 96.0% of its deposits, with its solvency level (Shareholders' equity/Assets) standing at 11.6%.

2.6. Results of Operations for the year (b).

Income for the year was AR$ 2,051.4 million, compared to AR$ 1,130.5 million in 2017, accounting for an 81.5% increase vis-a-vis the previous year.

Below is a detail of the main reasons that account for the Bank's income for the year:

- An increase in income from financial instruments, primarily as a result of a hike in the economy's relevant rates.
- Administrative expenses increased below the inflation rate, as a result of certain cost-cutting efforts during the year.

The following table shows the Bank's profit and loss for the year and a breakdown of the Bank's revenues and expenses.

Consolidated Profit & Loss Statement - Presented on a Comparative Basis (Figures in thousands of pesos)	For the fiscal year ended		Change	
	December 31, 2018	December 31, 2017	AR$	%
Interest income	14,897,228	10,250,699	4,646,530	45.3%
Interest expense	(12,732,984)	(6,252,447)	(6,480,538)	103.6%
Net interest income	**2,164,244**	**3,998,252**	**(1,834,008)**	**(45.9)%**
Fee and commission income	4,152,620	3,599,433	553,187	15.4%
Fee and commission expense	(684,855)	(599,506)	(85,349)	14.2%
Net fee and commission income	**3,467,765**	**2,999,927**	**467,838**	**15.6%**
Net income from measurement of financial instruments at fair value through profit or loss	5,929,976	1,800,264	4.129.712	229.4%
Gold and foreign currency quotation differences	(710,852)	(96,097)	(614,755)	N/A
Other operating income	4,350,734	3,708,942	641,792	17.3%
Loan loss provision	(1,828,873)	(1,162,583)	(666,290)	57.3%
Net operating income	**13,372,994**	**11,248,705**	**2,124,289**	**18.9%**
Employee benefits	(3,800,363)	(3,838,011)	37,648	(1.0)%
Administrative expenses	(3,050,621)	(2,611,727)	(438,894)	16.8%
Depreciation and impairment of assets	(444,200)	(144,968)	(299,232)	206.4%
Other operating expenses	(3,265,434)	(3,007,871)	(257,563)	8.6%
Operating income	**2,812,376**	**1,646,128**	**1,166,248**	**70.8%**
Income before income tax	**2,812,376**	**1,646,006**	**1,166,248**	**70.8%**
Income tax	(754,281)	(518,249)	(236,032)	45.5%
Total comprehensive income attributable to non-controlling interests	(6,683)	2,611	(9,294)	N/A
Net income for the year	**2,051,412**	**1,130,490**	**920,922**	**81.5%**

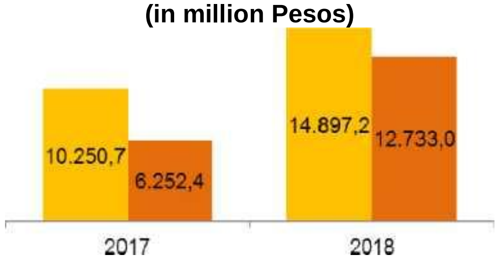
Note (b): The items and amounts as presented in the statement of income included in this document do not necessarily match those in the Entity's financial statements which are presented in line with the Argentine Central Bank's rules.

2.6.1. Interest income and expense.

Interest income grew by 45.3% compared to the previous year, mainly due to an increase in interest accrued on loans to the private sector, whilst financial expenses rose by 103.6%, as a result of incremental financial debt costs.

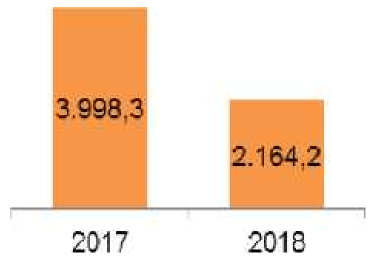
Net interest income for the year was AR$ 2,164.2 million, accounting for a 45.9% decrease vis-a-vis the AR$ 3,998.3 million recorded the previous year. The ratio of net financial margin to average assets stands at approximately 9.8%.

Financial Income & Expenses
(in million Pesos)



Yellow: Interest Income
Orange: Interest Expense

Net Interest Income
(in million Pesos)



Net income for the year amounted to AR$ 2,051.4 million; therefore, the average return on assets for the year was 2.7% vis-a-vis 1.9% in 2017.

Interest on loans rose by 43.5% during the year, mainly due to a general increase in the Bank's loan portfolio average rate.

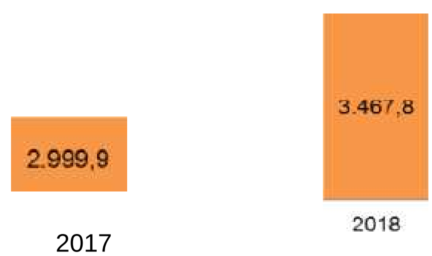
Interest on Loans
(in million Pesos)

Where "Intereses Hipotecarios" stands for Interest on Mortgage Loans; and "Intereses No-Hipotecarios" stands for Interest on Non-mortgage Loans.

2.6.2. Fee and commission income and expense.

Credit card fees account for the largest share in fee and commission income. Net fee and commission income amounted to AR$ 3,467.8 million in 2018, compared to AR$ 2,999.9 million in 2017, accounting for a 15.6% increase.

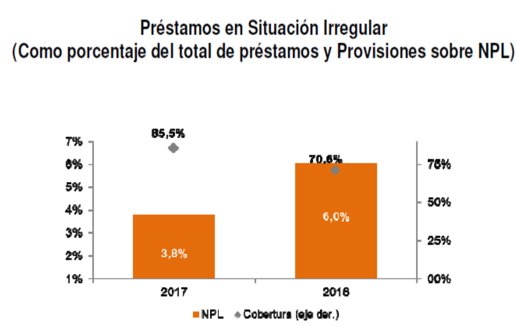
Net Fee and Commission Income
(in million Pesos)



2.7. Indicators of the Bank's Portfolio Quality; Efficiency and Coverage.

The Non-performing loans/Total credit extension ratio increased from 3.8% in 2017 to 6.0% in 2018, whilst the coverage ratio was 70.6%.

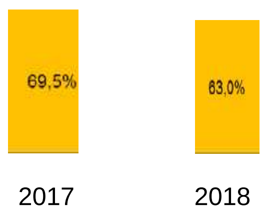
Non-performing Loans
(as a percentage of total loans and provisions for Non-performing loans)



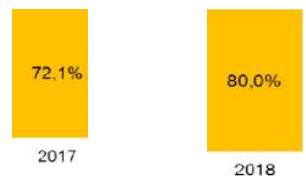
Where "NPL" stands for Non-performing Loans; and "Cobertura (eje der.)" stands for Coverage (Right Axis).

Administrative expenses increased by 16.8% during the year, primarily due to pay rises. The efficiency ratio (defined as administrative expenses plus employee benefits plus depreciation over net interest income plus net fee and commission income plus net income from financial instruments plus gold and foreign currency quotation differences plus some other items included in other operating income and expenses) fell to 63.0%, whilst the coverage ratio (defined as net fee and commission income plus loan-related services, net over administrative expenses plus employee benefits) was 80.0%.

Efficiency
(in %)



Coverage
(in %)



3. OTHER DETAILS ABOUT THE BANK'S MANAGEMENT ACTIVITIES

3.1. Retail Banking.

During the year, the main axis for action was to deepen the relationship with existing customers and to strengthen market positioning with a strategy focused on an ongoing product offering through the network of branches and the Bank's own indirect channels, the intensive use of Business Intelligence tools for sales and customer management, a reduction in approval times and customer-centric systems and procedures.

Product enhancements, plus expanded productivity in distribution channels, were oriented at opening new accounts, increasing fixed-term deposits, and boosting mortgage and personal loan origination, all of which resulted in substantial growth in the placement volume compared to the previous fiscal year, coupled with an increase in both fixed term and sight deposits.

All these achievements, developments and challenges gave the Bank strong leverage, the ability to rely on economies of scale and growth in retail banking results.

3.1.1. Business Intelligence.

During the year, the Bank worked on, developed and validated predictive models to estimate how likely each customer is to purchase non-mandatory insurance. Consequently, the Bank included in its insurance marketing campaigns customers that were unserved for having a peso-denominated savings account as single means of payment. With the implementation of these models, the Bank expects to curtail data consumption by 30% in the 2019's campaigns, while maintaining the same sales levels, but reducing telemarketing representatives' efforts by 20%-25%.

These groups double performance in terms of response rate relative to the current campaign mix (10% vs. 5%), while maintaining acceptable business collectability levels.

In open market customer acquisition campaigns, the Bank successfully placed 200,000 new credit offerings to unserved prospects, yielding a 2.6% response rate vs. 1.3% achieved by the previous mix. These results were achieved due to the deployment of the credit card holding predictive model developed in 2017, which improved our open market prospecting system.

As part of our strategy to maximize in-branch sales opportunities, the Bank developed a customer traffic profiling model. This model is used to set the business goals for all retail and derivative products and is built upon a 360° view of the customer, and customized to each network marketplace.

Also during the year, the Bank reviewed and adjusted the process to calculate allowances for The Owner's Corner program. The adjustments resulted in savings for AR$ 15.7 million.

The Bank upgraded the e-mail marketing platform, improving the time-to-market of its campaigns. In addition, the Bank consolidated the e-mail and SMS channels, and established kickoff dates, streamlining the contact center's ability to handle dynamic content, while customizing offering messages and communications.

The Bank also managed to automatically collect feedback on e-mail contact activity, which helps it achieve cost savings and learn about, in an accurate and detailed manner, customers' and prospects' responses to submissions, openings, rejections and interests, classified by campaign type, etc.

As a stakeholder to the product bundling project, the Bank defined the required new processes and elements to deploy the allocation of pre-approved offers in order to streamline the management of published campaigns and achieve the project stated goals.

3.1.2. The Owners' Corner.

In 2018, customers completed 56,200 redemptions. As usual with this program, the Bank conducted an auction to onboard a new reward supplier. Now, the Bank has a total of two suppliers who introduced several categories of rewards. In addition, the Bank offered discounts on products with low turnover and less costly for the program.

In addition, the annual expenditure associated to this Program was reduced by 35% vis-a-vis the previous year. Such decline was mostly attributable to the increased use of a redemption process known as "Puntos más Pesos", whereby customers can get products in exchange for points and money. This redemption modality accounted for 32% of total redemptions, delivering tangible benefits to customers as they are able to access products for which they do not have sufficient points and, fundamentally, is beneficial to the program as it helps to cut the annual expenditure.

3.1.3. Customer Service.

During 2018, the Customer Service area continued endeavoring to improve its service processes to generate value for our customers and the organization.

Given the success of the first pilot testing stage, we expanded our representatives' usual efforts to include the placement of products such as savings accounts, purchase protection and ATM theft insurance, and direct debt taking.

The Bank supported the "product bundling" process as an active channel for the conversion of our customers' product portfolio.

In order to achieve productivity and efficiency gains, the Bank increased the number of call center suppliers commencing in the 2nd half of 2018, under a variable billing arrangement which yielded better results and improved service availability for customers, while also resulting in substantial cost savings for the Bank.

Concerning customer service, in 2018, the contact center handled 1,600,000 calls, 106,000 e-mails and 125,000 social media interactions (Facebook and Twitter).

During the year under review, we enhanced our services available through the IVR system, allowing customers to retrieve their credit card statements on a 24-hour basis, resulting in an 80% decrease in the number of calls received by advisers in this regard, and set up a direct debit of their credit card balance from their savings accounts with us.

Also in this regard, we made progress in improving browsing capabilities, making easier for customers to get what they need from us. For this reason, we enhanced accessibility from our in-branch interactive media stations, using a single point of contact in which customers may satisfy all their needs, thus avoiding successive referrals which compromise satisfaction.

As concerns our customer's voice—the customer satisfaction survey after each call center contact—we achieved the following indicators over more than one million surveys:

- 78% of respondents were satisfied or very satisfied with the Bank’s overall customer service.
- 93% of respondents were satisfied or very satisfied with the treatment afforded by the adviser.
- 74% of respondents were satisfied or very satisfied with the waiting time.
- 88% of respondents asserted their concerns had been addressed during the call.

Concerning customer experience, in 2018 this sector became part of the Retail Banking area structure in an attempt to understand the business from the customer's standpoint, and design long-term experiences empowering the portfolio profitability.

During the year, we listened to the voice of over 140,000 customers, allowing us to identify the main aspects which have a high impact on their satisfaction, and devise work plans to address these consumer's insights.

In March, we kicked off a survey named “In-branch Experience” in order to capture our customer's needs, preferences and experiences on a monthly basis. Below is a detail of the annual outcomes of the main attributes of this survey:

- Service quality: 61%
- Waiting time: 43%
- Willingness to remain as a customer: 74%
- Customer loyalty (NPS): 15%

During the second half of the year, we launched a Mystery Shopping research to assess how our customers perceive their experience and our service quality at our branch network, and conducted an image audit to have a full understanding of the building conditions and the image of each of our branches. We paid two mystery visits per branch, and an image audit visit, totaling 189 visits across the entire network.

For the sake of contact consistency and efficiency, and in order to improve the customer's experience across our entire network, we defined service quality standards applicable to each interaction stage with our customers. The "Service Protocol" was deployed network-wide during the last quarter of the year. This good practice guidance contributes to the customer relationship strategy defined by the Bank's management and to the competences established at the organization level, particularly, the "Customer at the Core."

Concerning quality standards, the Bank's strategy to achieve certification in local and international standards was oriented to support the Bank's strategic guidelines and business positioning.

In this regard, we renewed our commitment to ongoing improvement, by achieving successful results in the following maintenance audits:

- Urban Development Area: Certified under ISO 9001:2015 in respect of the Bank's role as trustee of the PR.OCRE.AR. program.
- Corporate Audit Area: Certified under ISO 9001: 2015 and Reference Standard No. 13 across all of the area's processes.
- Cash Management area: Certified under ISO 9001:2015 in respect of all collection processes and payroll direct deposit.
- Information Asset Protection area: Certified under ISO 27001:2015.

3.1.4. CRM.

During 2018, the Bank completed the deployment of CRM - Microsoft Dynamics across all branches, HML stands, and Telemarketing positions, achieving a view of customer's consolidated position, and of the product origination process from this tool.

Our mortgage loan PH Puente and our product bundles were also added to the platform. In turn, the Bank initiated the process to include post-sale efforts, starting from the registration of joint account holders for Savings Accounts, Checking Accounts, and Product Bundles.

3.1.5. Home Banking.

During the second half of the year, the Bank engaged in roundtables under the agile methodology in order to consolidate the customer's experience. From this approach, we started to address the future migration of the channel to a new platform which will feature a new browsing concept, and will be also built upon innovative technologies to make customers' transactions easier, while enabling the development implementation level to meet the required time-to-market.

In this regard, we deployed the first Chatbot release within the sales process, which is an automatic customer service solution to take care of and address needs in real time. Chatbot adds human empathy and day-to-day talks to the communication with the customer. It manages knowledge in a simple and easy way for our customers, enabling a segmented service model, specialized in a specific task or purpose. (It is able to identify the customer, type of product bundle, current and missing products). Chabot conversational skills are controlled and trained by methodology. The tool semantically analyzes the customer's intentions and identifies emotions.

In terms of development, the strategy is still focused on customer's self-service, with special emphasis on cross-sales and new products, and on providing a solution to post-sale requirements, primarily in:

- Customization of business offerings
- Improvements in information on product positions
- Notices of payment of utilities and cards
- About Debit Cards: Alphabetic password (PIL) reset and increases in withdrawal limits

- Extended hours for USD-trading from 6 a.m. to 9 p.m.
- Request for certificate of debt release on credit cards and checking accounts.
- Change of credit limit for additional cardholders.
- CVU deployment (CVU is a code to make money transfers between bank and virtual accounts) and *Plazo Fijo Logros*.

3.1.6. Mobile Banking.

During 2018, the milestone in Mobile Banking was the kickoff of a new app for Android and IOS in May and November, respectively. The project goal was to renew the app design from a customer-centric approach, developing a more intuitive app, with faster, simpler and more convenient transactions and inquiries.

As part of the new functionalities, the app allows to make payments for one or more services at the same time. The app relies on experience and visual management of transactions (calculations on trial balance). It improves the times and transactions within the module.

Lending transactions and investments are displayed with graphs, making it easier to follow up on their performance and maturities.

Thanks to the use of new development tools, among others, the app can now be downloaded at 7 MB and is much more agile.

3.1.7. TASi (Smart Self-Service Terminals).

In 2018, we completed the rollout of the Lobby 24 project, with a total of 182 operational smart self-service terminals (TASi) distributed across all our branches.

As concerns the development of the TASi channel, the Bank enabled the following customer self-service functionalities: (a) PIN / PIL reset; (b) debit card enablement, and (c) submission of credit card statements.

In addition, workshops were held to develop the new browsing functionality, making it more agile and intuitive.

3.1.8. Corporate Electronic Banking - Office Banking.

In order to embed basic functionalities for this segment, in 2018 we developed new service modules and migration of businesses to the channel. As a result of these efforts, in November, 1,053 customers were transacting through Office Banking. The recently implemented modules include:

- Tax payments to the Argentine tax authorities (AFIP): confirmation and payment of electronic payment voucher (VEP) + inquiries and payment receipts.
- Purchase of foreign currency: with the respective inquiry and payment receipt module.

As concerns current modules, we implemented improvements and new functionalities, such as:

- Investments: we enabled a functionality to make inquiries about investment activities, with the ability to download account statements and receipts.
- Payroll: we implemented a new functionality named "Confidential Payroll," a feature very much appreciated by large companies (Corporate)
- Payments to Suppliers: we added macros (for checks and transfers) facilitating the entry of Payment Orders.
- We successfully implemented DEBIN Phase II.
- Collections: expense reports are now more "friendly" to download. (Before, txt was the only supported downloadable format)
- Management and administration: we implemented overall improvements in ABM self-service for users and roles in companies working on the channel.

3.1.9. BuhoBank (digital sales channel).

The evolution of this channel was focused on improving customer-facing and internal processes that rely on it. Field validations were added, such as, address, telephone number and e-mail, in order to improve data collection, resulting in an improved product delivery. During the year, we kicked off the sale of product bundles, with a completely renewed platform design, which is now more agile and innovative. As a result of these efforts, we had 2,427 new credit cards and 347 new product bundles since the deployment in the channel (September).

Towards the end of the year, the Bank worked on the integration of easy recognition, achieving a 100% digital flow, from product registration and acceptance, to the submission of the respective contract, without the intervention of third parties.

Concerning term deposit taking, the Bank worked on incorporating a validation process to help differentiate existing customers from prospects to be able, in case of customers, to refer them to Home Banking to set up their term deposits at segmented rates, without the need to show up at a branch. As a result of these efforts, in 2018, 6,477 prospects were registered in the term deposit landing page, out of which 845 set up term deposits for an aggregate amount of over AR$ 90 million.

3.1.10. CH Digital

In April 2018, the Bank deployed the CH Digital project, a digital and intuitive platform where customers may check information on their credit facilities and may also make credit simulations (after validating their identity and populating certain data) before showing up at a branch. The platform kickoff for all our customers is scheduled for May, and will purport to an improvement in the branch service model, since the customer will arrive at the branch with a previously assigned appointment and the bank officer will find an "opportunity in CRM," with all the data previously populated by such customer. An ongoing communication with the customer is maintained through the site browsing capabilities, with the ability to submit partial and/or full information on all products and credit proposals.

3.1.11. Telemarketing.

The Telemarketing channel continued working on improving business profitability as evidenced, in part, by the merger of the Telemarketing and Retention areas, in an attempt to strengthen customer loyalty.

During the year, the Telemarketing area focused on the credit card and personal loan origination, with 30,700 cards sold and AR$ 1,321 million in personal loans disbursed. Since September, the Telemarketing channel kicked off the sale of product bundles.

One of the year's key milestones was the deployment of on-line personal loan through this channel, which streamlines the disbursement of the loan as customers do not need to visit a branch to complete the application.

The customer loyalty area took care of 94,000 calls to cancel credit cards and product bundles, managing to retain 44% of these customers.

3.1.12. Branch Network.

During 2018, the Bank maintained its 63 branches, with presence in all capital cities of the Argentine provinces and major cities of the country.

The Bank continued pursuing efforts to improve the customer's experience by implementing improvements in its service model, adjustments to service protocols, customer surveys, and mystery shopping actions across the entire branch network. In turn, the Bank worked to improve the availability of self-service terminals and incorporated new units supporting smart deposits.

The Bank supported the implementation of CRM at the branches to have a 360° view of its customers, improve service times and customer experience, and increase sales volume, with special emphasis on taking borrowing products and on the sale of mortgage loans.

The Bank designed a new variable compensation arrangement for the network's commercial platform, which will be implemented in January 2019. This new arrangement will help align the salesforce's individual efforts with the business needs.

3.2. Wholesale Banking.

Structure. During the year, the Bank continued building the sector's structure within the Corporate, SMEs and Public Banking and Products areas.

Cash Management. In order to increase sight deposits and commissions, during 2018 the Bank took several commercial actions leading to capture increased transactional volumes through Cash Management products, including Direct Debit, Collections at Branches, Custody of Post-Dated Checks, Payments to Suppliers, Tax Payments to AFIP, and Paying Bank.

In addition, the Bank deployed new functionalities in "Office Banking" —its corporate web portal—aimed at improving the user's experience and facilitating its transactions.

The growth strategy, for the short and medium term, revolves around the following axes:

- Reinforcement of the corporate and SMEs financing business
- Development of Public Banking (National, Provincial and Municipal)
- Development of products oriented to the real estate business
- Launch and marketing of products that facilitate companies' transactions

3.3. Physical Safety and Logical Security.

3.3.1. Protection of information assets.

During fiscal year 2018, the Bank continued building upon a management model based on best practices, maintaining service levels consistent with the changes in the prevailing context and in the organization. The Bank supported the development and implementation of the business strategy, based on its engagement in initiatives and projects, minimizing the security risk associated to the processes involved.

The Bank had active involvement in several internal and external audits and audits carried out by the Argentine Central Bank, thus strengthening its management commitment. In addition, the Bank had some security-sensitive processes, such as, information asset risk management, certified under the international standard IRAM 27001, as a value contribution with strategic visibility in 2019/2020.

3.3.2. Preventive Security.

During the year, the Bank set certain goals leading to empower the use of new technologies for the early detection of losses in order to strike a balance between the use of remote monitoring tools and traditional methodologies. The Bank conducted risk assessments in line with the business needs that will ultimately lead to improve the cost-risk ratio.

The Bank complied with the terms of Communiqué "A" 6272 handed down by the Argentine Central Bank (Remote Monitoring System) encompassing all of its branches, which resulted in substantial cost savings in the Bank's physical security annual budget.

During the year, there were no violent criminal offenses against individuals or physical assets.

3.3.3. Fraud Prevention and Control.

In this respect, the Bank raised its productivity levels without affecting the service level agreements made with its internal customers. During 2018, avoided losses from external fraud amounted to AR$ 104 million, up by 22% compared to 2017, accounting for 0.81% over the total origination of the Bank's products in the period under discussion.

Avoided losses are mainly associated with transactional fraud with credit and debit cards and to forgery, to a lesser extent, in connection with the sale of pre-approved cards (Telemarketing and Buho Bank).

Losses from external fraud amounted to AR$ 2.6 million, remaining at the same level as the previous year. Frauds were mainly associated with credit card campaigns and pre-approved personal loans originated through the Telemarketing and Buho Bank channels.

It should be pointed out that 98% of frauds were identified before the origination of the requested product.

The Bank also introduced changes in the processes to originate its pre-approved credit cards, encompassing a face recognition technology project, in addition to controls against the database of ANSES (the Argentine Social Security Administration).

The Bank continued to build an interactive risk map by geo-location that allows recognizing risky areas and localizing addresses associated with frauds occurring from 2008 to date.

3.4. Operations.

Throughout 2018, the Operations department focused on guaranteeing efficient and sustainable operations in the light of the strong growth experienced by Bank's business at a global level.

The Bank's operations teams were reorganized in order to reinforce the control environment and achieve operational efficiency.

- The Bank implemented a cash management system, in an attempt at improving cash availability at our ATMs while reducing tied-up cash, and at streamlining bill management at the Central Treasury and branch network.
- The Bank made available cash management products and supporting processes to deliver a service that meets our customers' expectations.
- The Bank reviewed the critical operating processes that support the business strategy for the coming years, defining actions to strengthen such processes and improving customers' experience when using their products.
- The Bank implemented certain improvements to its core systems supporting fund raising businesses, seeking to increase the number of transactions performed by our customers in their accounts.
- The Bank made changes to the processes related to the digitalization and administration of documents at the several stages of the product and client on-boarding process.
- The Bank reinforced operating accounting controls, and controls on the management of the several budgetary items under the responsibility of operations.

3.5. Systems and Technology.

Throughout the year 2018, the area continued supporting the sustained growth of the business by implementing the system and technology strategy to leverage such development and provide agile, fast time-to-market, innovative and sustainable solutions with simple business processes. Such support encompassed making the technology and software platform more flexible to support digital products.

As concerns customer service, early in the year, the Bank implemented the CRM project in an attempt at improving customers' experience in their contacts with the Bank, with the roll-out across all branches having been completed during the first quarter of the year.

In addition, in order to supplement the Retail Banking product offering, in July 2018 the Bank deployed the Product Bundling functionality, with outstanding acceptance from customers.

The Bank improved user's experience with special emphasis on technology upgrades, and had the Búho Bank portal reengineered, with a renewed image and architecture to support the portfolio growth and offer all products in a single spot.

In addition, the Bank launched a new BH mobile application, which ranked among the best-in-class in the market.

Concerning Digital Banking, the Bank developed the first mortgage loan origination phase in a digital form, with customers being able to submit their applications remotely, and get an appointment to continue with the process at the branch. The remaining phases are expected to be completed during 2019 for customers to be able to digitize documentation and make arrangements with appraisers, without the need to show up at the Bank.

The Bank is also working on the opening of Product Bundles in a fully digital manner, with face recognition technology and verification of identity against RENAPER's database. This functionality will be implemented in January 2019.

As concerns the technology and application platform, during 2018, the Bank implemented an architecture based on APIs and microservices, laying the ground for digital banking and enabling functionality outsourcing from other entities. All services are expected to be migrated to this platform by July 2019.

As concerns Corporate Banking, the Office Banking platform was fully consolidated, by introducing new functionalities and migration of customers operating in previous platforms or manually.

We also implemented the first automatic service ChatBot to give advice on product bundles. The Bank will continue enhancing it throughout 2019.

As concerns the core banking software (Cobis), we continue enhancing and upgrading it to preserve business sustainability and development.

The Bank attained an average availability of critical systems of 99.7%.

3.6. Processes.

During 2018, the Bank focused its efforts on streamlining processes by identifying cost-cutting initiatives, revenue growth, and release of operating capacity. During the September-December period, the Bank identified 49 opportunities for improvement, for AR$51 million, out of which AR$11 million have had an impact during the current year.

As a process planning pillar, the Bank implemented a new portal to share knowledge on manuals of procedures, policies, forms and instructions to improve access to information, through more user-friendly searches, and a more efficient content administration. In addition, all regulatory contents were compiled in a single site.

3.7. Comprehensive Risk Management.

The Bank has a comprehensive process to manage risks, that is, to identify, evaluate, monitor, control and mitigate all significant risks. The comprehensive process to manage risks looks to the Board and to Senior Management for them to get involved and oversee how all significant risks are managed, understand the nature and level of risk assumed by the entity and their relationship with capital adequacy.

It is equally in line with risk management good practices, and in particular, with the provisions concerning the guidelines for managing financial institutions' risks laid down by the Argentine Central Bank. To guarantee adequate management of the Bank's significant risks, the Bank relies on a management framework and management devices tailored to the entity's size, complexity, economic importance and risk profile.

In the course of fiscal year 2018, the Bank continued pursuing the following actions in connection with the above-described policy:

- Stress testing: the Bank undertook new comprehensive tests which included the treatment of subsidiaries. The outcomes were submitted for consideration to the Risk Management Committee and Board of Directors. The Bank also undertook individual tests on the major risks.
- Risk Control Dashboard: the Bank incorporated a set of new indicators covering regulatory and economic capital aspects and continued to develop an indicator dashboard to monitor the behavior of the main risk factors to which it is exposed given its role as trustee in the PRO.CRE.AR. trust.
- Comprehensive Risk System: The Bank continued developing this tool aimed at giving comprehensive management support, having made progress with the calculation of interest rate risk-based capital according to the terms of Communiqué “A” 6397.

The Bank has policies in place that guide its decisions in order to implement its comprehensive risk management strategy. The following is a detail of the Bank’s main policies in this regard:

- Regulatory Hierarchy Policy: this policy defines the Bank’s internal regulatory policy and the guidelines that must guide the process to create, issue, manage or update and distribute the rules that make it up. In general terms, it lays down the hierarchy of the various rules, the persons responsible for preparing them and the scheme to approve each. In particular, it deals with, amongst other matters, the launch of new products and/or services in order to make sure that the Board will approve them and that they will be later on managed. As regards the launch of a new product or service, it establishes that it is mandatory to prepare a product program, and, if applicable, a credit program and to obtain the requisite approvals.

  Product programs are documents that must disclose, in a structured and formal manner, all the relevant information concerning the product and/or service –especially considering the aspects related to profitability and the risks inherent to the product or service.

  Credit programs are, in turn, documents that must detail the guidelines laid down to manage credit risk at the various stages of product credit cycles.

- Comprehensive Risk Management Policy: this policy sets forth the main guidelines to adequately manage the main risks the Bank is exposed to. It comprises credit, liquidity, market, interest rate, operational, securitization, concentration, reputational and strategic risks.

It establishes the general organizational and regulatory framework and all ordinary comprehensive risk management devices associated to the risks the Bank may be exposed to.

In addition, it describes the specific management processes for each one of the risks mentioned, and thoroughly describes the methodologies to manage market risks and liquidity risks.

This policy is made up by: (a) the benchmark policy for quoting loans and deposits; (ii) the stress testing policy and (iii) the contingency plan itself.

- Strategic Planning Policy: this policy lays down the overall guidelines to prepare the Bank's business plan, which is annually approved by the Board of Directors. The preparation of the business plan involves a strategic planning process and requires the definition of a set of specific activities that seek to make the vision and mission that the organization has set for itself become a reality.

The organization's vision is a description of the long-term goals. It comprises an image, defines a guiding idea and at the same time, the manner in which the organization wishes to be externally perceived.

The organization's mission is a specification of the organization's medium-term objectives. It describes the basic purpose towards which the organization's activities are geared and its central values, aiming at the definition of internal perception.

The establishment of both the vision and the mission is the responsibility of the Office of the General Manager and the validation is the Board's responsibility. At all times, strategic planning must take into consideration these main aspects.

Specifically, the preparation of a business plan calls for all of the bank's areas and subsidiaries to engage in a strategic planning action, revolving around the following axes: (a) levels of origination and new businesses; (b) funding structure; (c) risk management strategy; (d) distribution channels; (e) productivity and quality and (f) image and relationship with customers.

Organizational Structure: The Bank has units in place which are responsible for managing each material risk covered by this policy. Most of these units are comprised by management-level areas, or take the form of a committee.
Below is a detail of the units responsible for managing each of the risks embraced in this policy:

- Decision Management and Decision-making Strategies: This unit is engaged in managing retail asset concentration and securitization risks due to the underlying exposures.
- Corporate Banking Credit Risk: This unit is engaged in managing counterpart credit risk and country risk, as well as Corporate Banking asset concentration risk.
- Operational Risk: Operating risk Reputational risk
- Market Risk: It embraces interest rate, price, exchange rate, and securitization risks.
- Planning and Management Control Strategic risk
- Finance Committee: Liquidity risk, including liability concentration risk management.
- Anti-asset Laundering Unit: Anti-asset laundering and terrorist financing risk

The Anti-asset Laundering Unit reports to the manager of the Legal department which, in turn, reports to the Board of Directors and to the Committee for Controlling and Preventing Asset Laundering. The Planning and Management Control unit reports to the General Manager. The other units referred to above report to the manager of the Risk area, which in turn reports to the General Manager.

The Finance Committee and Credit Committee are comprised by no less than 3 and no more than 7 regular directors.

The SMEs Lending Committee is comprised by the General Manager, the manager of the Corporate Banking area, the manager of the Retail Distribution area, the manager of SMEs Banking, the manager of the Risk area, and the manager of the Corporate Banking Credit Risk area.

In addition, the Bank set up a Risk Management Committee, comprised by no less than 3 and no more than 5 regular directors. This Committee's main goal is monitoring senior management's activities related to risk management and giving advice to the Board on the risks the Entity is exposed to.

The structure and responsibilities of the Board of Directors' and management's committees are outlined in the Corporate Governance Code.

Management Devices: The Bank has viable, stable, efficient and effective processes in place to manage each of the significant risks addressed by this policy, which are specific to each subject. However, the Bank also has devices that support a comprehensive approach to risk management.

The Bank has the following common devices in place for managing the major risks it is exposed to:

a) Risk strategy: a document prepared every year at the time when the Business Plan is dovetailed and that states the Bank's general approach to risk management. The objective of the risk strategy consists in defining for each one of the Bank's main risks, the level of tolerance and the risk management strategy. The tolerance limit is based on one or several indicators to determine how much risk (credit, interest rate, etc.) the Bank would be willing to accept in pursuing its strategic goals (profitability, growth, value, etc.), within the context defined in the Business Plan.

b) Stress Testing Program: stress tests are a series of analytical simulation exercises that are undertaken to find out the Bank's capacity to deal with extreme adverse economic situations in the field of liquidity, profitability and solvency. To this end, the analysis has to: (a) identify business aspects that appear to be significantly vulnerable in the face of sizable events that are either external and/or internal; (b) measure the impact on the Bank of the occurrence of highly adverse events that are unlikely but possible and (c) infer the capitalization levels required vis-à-vis the scenarios posed.

c) Contingency Plan: The Bank set up a menu of possible actions and measures to deal with the occurrence of, or increase in, the likelihood of stress situations in the economic and/or financial juncture that are, a priori, seen as highly adverse to the Bank's solvency, liquidity and profitability.

d) Economic Capital: The Bank has adopted the methodology that determines economic capital on the basis of the Value at Risk (VaR) quantitative approach. From this standpoint, the economic capital is the sum of the "values at risk" (likely loss in a given horizon and faced with an associated probability) of each one of the individual risks. Economic capital is that required by the Bank to cover both the unexpected losses stemming from exposure to material risks as well as those that arise from other risks to which it may be exposed. In contrast to "unexpected loss" which must be supported by economic capital, "expected loss" is implied in the price of the product (interest rates, commissions, etc.), which must be fixed based on risk and therefore, it is covered by the ordinary operating income. If this is not the case, it must also be supported by capital.

e) Internal Capital Adequacy Assessment Process (ICAAP): The set of processes and procedures implemented by the Bank in order to ensure that it has –both at the individual and at the consolidated levels– enough capital to cover all the material risks and that it also has a strategy to maintain capital with the passage of time. This figure is also subject to stress tests to evaluate capital adequacy.

f) General Information Systems: With these systems in place, the Bank can get to know and monitor the composition and characteristics of exposures in a timely and adequate manner so that the risk profile and the Bank's capital needs can be quickly and accurately evaluated. In this respect, the Bank has a comprehensive report that is submitted to Senior Management every month, and to the Board every three months.

g) Subsidiary's Risk Management: The Corporate Governance Code defines the applicable corporate oversight and coordination structure in connection with its subsidiaries. Through this structure, each subsidiary's Board of Directors is able to: (a) periodically revise the Bank's risk management policies and strategies and the manner in which tolerance levels are defined, and (b) verify that managers take the necessary steps to identify, assess, monitor, control and mitigate the risks assumed. In turn, this structure makes it easier for each subsidiary's senior management: (a) to implement the policies and strategies approved by their respective Boards of Directors, (b) develop risk management processes through which to identify, assess, monitor, control and mitigate the risks assumed by the Bank, and (c) implement appropriate internal control systems and monitor their effectiveness, periodically reporting to the Board on the achievement of the defined goals. According to this structure, the goals, risk management strategies and, in general terms, the business plans and budgets of each subsidiary are approved by the Board of Directors, accepted by the Bank's Board of Directors and communicated by the boards to the several organizational levels of each subsidiary. In order to periodically review the fulfillment of goals, strategies and general business plans, and control managers' risk management actions, several oversight and coordination mechanisms are defined through this structure. On the one hand, the internal oversight and coordination mechanisms of each subsidiary and, on the other hand, the Bank's oversight and coordination mechanisms of its subsidiaries. Through the latter, the Bank's Board of Directors is informed by the Bank's senior management which, in turn, receives information from the senior management of each subsidiary. In this regard, the Bank uses a Risk Balanced Scorecard to oversee compliance with the limits established in each subsidiary's risk management strategies. The scorecard is periodically submitted by the Bank's senior management to the Board of Directors.

3.8. Recovery Efforts.

During 2018, as regards early arrears in the portfolio, the aim was to continue to increase efficiency in management through technological and operational improvements. In this respect, during the third quarter as it was scheduled, the Bank completed the migration of "Emerix," its core collection system, to "Tandem", its upgraded release. This new release enables administering multiple portfolios, streamlines the recovery strategy for early arrears, long overdue loans and loans in collection proceedings, and incorporates Corporate Banking's collection efforts.

Additionally, in order to accompany portfolio growth, the contact levels previously attained were maintained, the type of management was diversified and strategies were improved.

As regards the controls exerted over call center management and quality, the Bank continued to develop and embed variables into employee assessments. These variables serve to accurately identify those who are at a medium/low negotiation level and have gone past the learning curve. This allowed us to channel efforts towards the more critical employees in order to professionalize management and accompany recovery.

We continued to work on implementing competitive strategies (champion-challenger) seeking the best management results. As a result of these strategies, the Bank has managed to retain approximately 30% of the portfolio in arrears under management through more cost-effective means, while maintaining its recovery ratios.

As to the general strategy, it focused on:

- Maintaining the level of recoveries from customers, encouraging adhesion to refinancing products or more flexible payment alternatives.
- Streamlining the use of alternative contact media: interactive SMSs, e-mails.
- Maintaining the cost/recovery ratios; and
- Intelligence in collections strategy.

As regards long overdue loans and loans in collection proceedings, endeavors continued to collect the unsecured portfolio and the historical portfolio of mortgage loans, including: (i) recovery of loans for which no deeds have been drawn up; (ii) recovery of lawsuits against the bank; (iii) campaigns for the settlement of secured portfolios; and (iv) recovery of balances not covered by auction proceeds.

The Bank offered incentives to settle amounts overdue both at the pre-collection and collection proceedings stages. The Bank worked on reviewing refinancing tools so as to mitigate market constrains, offering its customers affordable recovery solutions.

On the other hand, in several provinces, there are still some aspects affecting loan recovery efforts, which are primarily attributable to the enactment of laws to suspend, in their territorial jurisdictions, mortgage foreclosures in progress and/or the forced sales ordered in such proceedings. Like in previous years, this situation prevents the Bank from adequately managing its collection endeavors vis-à-vis a significant portfolio of loans exhibiting incremental outstanding amounts year after year, without a final resolution, compensation or consideration in exchange for the damages caused by these situations.

3.9. Organizational Development.

As concerns organizational development and its quality assurance standards, the Bank's work was based on the commitment to and mission of contributing to the business sustained growth, consolidating human capital development.

The Bank has committed to instilling a culture oriented to the high performance of our employees, encouraging efficiency, productivity and excellence in results. As part of this commitment, the Bank implemented a new model of competencies to address the business current needs and deliver results.

As of December 31, 2018, the Bank's headcount was 1936 people distributed as follows: 1231 at the head office and 705 at the branches. The average number of years of service is 11.

The Human Capital area (People Management, Culture and Change Management, and Organizational Development Benchmarks) worked on instilling a culture of inclusion to foster personnel development and individual contribution to attain the goals stated in the Bank's management plan for the year.

As concerns People Management, during 2018, the Bank delivered more than 25,720 man-hours of training (e-learning and classroom learning, combined).

- The Training Plan was designed with a view to address the business demands, developing our employee's skills, and pursuing innovation in the training design and offering, by focusing on different needs and learning styles.

- The Learning Network, a comprehensive training program targeted at the entire branch network and focused on continuing education, professionalization, and growth of our employees in the commercial and operating platform. The program is aligned with the Bank's strategic goals:

- Certification for Operations Heads with a 4-module program and 2 comprehensive assessments.
- Certification for Tellers and Treasurers. The Bank delivered two training updates for the development of the position.

- More than 9 business updates for the Investment Network. The Bank has worked on a certification program for people knowledgeable in Capital Markets and Insurance Agents.

- Training Management also leveraged and supported the development and deployment of organizational projects: Variable Compensation, PACK, Dynamo Tandem, and Expense Management. We developed the Model of Competencies, implementation actions, and the promotion of a diagnosis assessment to learn about the degree of development of each competence at the organizational level.

- We fostered professional development and managed 72 external courses and 57 scholarships through alliances with different educational institutions and entities to have updated internal knowledge in place.

- Virtual Training Center: The center added 7 new courses to its offering, embracing specific tools for the development of our employees—gamming, tutorials, and on-line classes—seeking more innovative and effective manners of reaching employees.

Development: During the year, 63 employees were transferred among the Bank's several areas, with 33 internal promotions and 30 sponsorships, along with 25 individual development plans.

As concerns recruitment, the Bank managed to fill 125 job openings through recruitment and hiring processes, on the basis of the entity's capacities and meeting the business needs. Forty two per cent (42%) of such openings were filled with Retail Banking's staff, with 67 new hires in our insurance subsidiary, particularly, in the commercial area.

The Bank strengthened the first collaborative recruitment tool (HiringRoom) that put together all recruitment processes in a single site, in order to monitor the consulting firms' performance during the recruitment process and consolidate all recruitment reports.

The Bank was also present at the college fairs "Expo Bumeran" and "San Andres", in order to build its employer brand and create an approach between the BH Community and young students.

We implemented the first Young Professionals Program, with over 8,000 candidates and 200 interviewees. We recruited eight young professionals under this program to work at several business areas, along with the training program with internal turnovers for them to build a strong business vision.

As concerns Culture and Change Management, the Bank sought to strengthen the organizational culture and development, acting as facilitator of the transformation process, and implementing the Change Management model to strategic projects. During the year, the Bank contributed to the implementation of the following strategic projects:

- Dynamo Project: The project was aimed at driving the "customer-centric" business model, by embedding customer service processes into a single tool to provide full financial solutions in a fast and efficient manner.

- Product Bundling: The Bank rolled out the Pack product in an attempt to market product bundles to Retail Banking customers, in order to increase account funding, the number of transactions and profitability. From this approach, the Change Management area implemented a work methodology in a "single space" that encourages team work and streamlines management.

- Reconquista Project: The Bank completed the project intended to encourage collaborative work and achieve synergies among areas—a new working paradigm for the sake of efficiency and productivity.
- Expense Management Project: The Bank strived to align its business processes with the mission of achieving improved results and profitability, cutting costs and achieving efficiency gains.
- The new BH Model of Competencies defined the knowledge, skills, attitudes, values and motives an employee is expected to have to discharge his/her job duties.

As concerns Culture and Communication, in 2018, the Bank helped to promote the stated focal points to foster business development.

“Dialogs at Banco Hipotecario” continued to develop as a business-aligned space where participants may interact directly with senior management, and with employees from other sectors. Sixteen sessions were held, led by 9 Area Managers, with the participation of more than 160 employees and full satisfaction level.

The "Getting to Know our Business" sessions were held for the 4th consecutive year—an open space that seeks to consolidate and drive organization goals and knowledge about its products, services and operations, led by the organization’s main leaders.

Six sessions were held during the year, with a record participation of more than 700 employees and full satisfaction level among all of them. In turn, all Bank’s employees were able to access the sessions through videos posted on the Bank’s Intranet and online via Skype.

The monthly newsletter NewsBH celebrated its 3rd anniversary and consolidated as the most valued internal newsletter by our employees. Each edition summarizes the main business news and is aligned with the Bank's focal points. The Bank has delivered 53 editions, attaining a 78% satisfaction level.

The Bank also continued with the quarterly issues of “Business News” —a newsletter that reports on the progress made and outcomes achieved in the several business focal points in order for managers to gain knowledge and have information to share with their work teams. During the year, this newsletter was distributed among all employees.

Intranet helped to promote business goals, projects, organizational news, benefits and all such topics of interest for and impact on the Bank's employees.

During 2018, the Bank posted more than 360 pieces of news on-line, generating over 5,800 interactions (408 posted comments and 5,300 news ratings). This, along with 82 published surveys and more than 2,950 responses, helped us learn more about the employee's experience at Banco Hipotecario.

Within the BH Community, we continued working on promoting and communicating the benefit program on the basis of our four core pillars: #Welfare; #Family; #Development, and #Celebrations. Visits reached an average of 2,395 per month, accounting for more than one inquiry or action per employee within the BH Community platform.

The Bank relied on LinkedIn as a tool to consolidate its employer branding among the internal and external public. With 88 posts, the Bank reported on actions and internally developed projects. The Bank's profile was visited by over 47,000 users, and its number of followers increased by 20,573, ending the year with a total of 46,009 followers—a record high since the deployment of this network.

4. INFORMATION REQUIRED BY LAW 26,831 – SECTION 60.

4.1. Aspects Related to the Organization of the Decision-Making Process and to the Entity's Internal Control System.

Pursuant to Law No. 24,855, the former Banco Hipotecario Nacional (BHN) was converted into Banco Hipotecario S.A. and subject to privatization under Law No. 23,696. The by-laws of Banco Hipotecario were approved and its first Board of Directors appointed pursuant to Decree 924/97.

The entity's capital stock is made by four classes of shares: Class "A" shares are held by the Argentine government, they grant special rights as well as those corresponding to the Fideicomiso del Fondo de Infraestructura Regional (FFIR) subject to privatization through public offering; Class "B" shares are to be held by the Entity's employees eligible for the Employee Stock Ownership Plan once implemented by the Argentine government. Up and until implementation of the ESOP, these shares are being managed by the Argentine government through the ESOP Trust; Class "C" shares are reserved for primary sale in public offering to companies engaged in housing construction or in the real estate business, currently also held by the Argentine government through the Fideicomiso del Fondo de Infraestructura Regional; and Class "D" shares, held by the private sector. The entity's capital stock is made by four classes of shares: Class "A" shares are held by the Argentine government, they grant special rights as well as those corresponding to the Fideicomiso del Fondo de Infraestructura Regional (FFIR) subject to privatization through public offering; Class "B" shares are to be held by the Entity's employees eligible for the Employee Stock Ownership Plan once implemented by the Argentine government. Up and until implementation of the ESOP, these shares are being managed by the Argentine government through the ESOP Trust; Class "C" shares are reserved for primary sale in public offering to companies engaged in housing construction or in the real estate business, currently also held by the Argentine government through the Fideicomiso del Fondo de Infraestructura Regional; and Class "D" shares, held by the private sector. Any Class "A" shares sold by the FFIR, as well as the shares that will be subsequently sold by the future purchasers of Class "B" and Class "C" shares shall be converted into Class "D" shares.

The term to exercise the warrants for the acquisition of ADRs granted in the IPO expired in 2004. Since then, a balance of approximately 6% of the capital stock remains in the Trust of Warrants and attend Special Shareholders' Meetings for that class *pari passu* with Class "D" shares, in accordance with the instructions delivered by the Argentine government until the sale of this percentage.

On December 4, 2008, the legislative bill that suppressed the pension and retirement fund capitalization system set forth in Law No. 24,241 was signed into law under No. 26,425 which meant that as of that date the funds existing in the system managed by pension fund managers were nationalized and taken over by the State-run pay-as-you-go system. Therefore, the Bank's Class "D" shares held by these pension fund managers and any rights arising therefrom have been absorbed by the Argentine integrated social-security scheme run by the Argentine Social Security authorities (ANSES).

On November 13, 2012, the Executive Order 2,127 implemented the Employee Stock Ownership Program which sets forth that as soon as it is definitively implemented, a portion of Class B shares will be converted into Class A shares for allocation to the employees that had left the Bank as of the date of issuance of this Executive Order. Once these shares are allocated, they shall start to be denominated Class D shares, with Class B shares being representative of the ESOP and assigned to the Bank's current employees. In addition, on December 12, 2018, the Bank held the first Program Organization Meeting to appoint the members of the Executive Committee, a Regular Director and an Alternate Director, and a regular and an alternate member of the Supervisory Committee for the Share Syndicate. Finally, shares of stock under such Program were specifically allocated among its 320 participants. All resolutions passed at such meeting are subject to the final approval of the Argentine Executive Branch.

As long as the Argentine government holds in its own name or through the FFIR more than 42% of the capital stock, Class "D" shares have a treble vote, as is presently the case.

Following the initial public offering (IPO), the Entity's first Board of Directors called for an extraordinary shareholders' meeting held on March 15, 1999, which resolved to create an Executive Committee.

Banco Hipotecario's management is in charge of a Board of Directors made up by 13 members: two directors designated by Class "A" shares; one director designated by Class "B" shares; one director designated by Class "C" shares and nine directors designated by Class "D" shares. The directors designated by Classes "A", "B" and "C" are presently named by the Argentine government, the directors designated by Class "D" shares are appointed by private sector shareholders at Special Shareholders' Meeting held by the specific Class of shares. The Entity's Chairman and Vice-chairman are designated from among the directors appointed by the latter class.

The Entity’s ordinary businesses are managed by an Executive Committee made up by Class “D” directors. As provided for in section 19 of the Entity’s by-laws, and irrespective of other powers granted by shareholders' meetings, the powers and duties of this Executive Committee consist of leading the day-to-day management of the Entity’s business and all the issues delegated by the Board of Directors; developing the Entity’s business, lending and financial policies, subject to the objectives approved by the Board of Directors; creating, maintaining, suppressing, restructuring or transferring areas and sectors in the Entity’s administrative and functional structure, creating Special Committees; approving certain functional structures or levels, which includes determining the scope of such functions; approving the composition of the Entity's headcount; designating the General Manager, the Deputy General Managers, Executive Vice-Chairmen and other Division and Area Managers, which includes the establishment of their level of compensation, terms and conditions of the position and any other personnel-related measure, which includes promotions; proposing to the Board of Directors the creation, opening and relocation or closure of branches, agencies or representative offices within or outside the country; supervising the performance of subsidiaries and investees; proposing to the Board of Directors the formation, acquisition, total or partial sale of equity interests; submitting to the Board of Directors the Entity’s proposed procurement guidelines, annual budget, estimates of expenditures and investments, necessary indebtedness levels and the action plans to be implemented, as well as approving reductions, waiting periods, refinancing arrangements, novations, debt condonations and/or waivers of rights, when the ordinary conduct of business so requires or when advisable. The sessions held by the Executive Committee are attended also by the members of the Supervisory Committee.

There are also special committees comprised by Directors and committees comprised by line managers to deal with the decision-making process in specific areas with the involvement of areas responsible for similar issues, including: (i) the Audit Committee; (ii) the Committee for Controlling and Preventing Money Laundering and Terrorism Financing, (iii) the Information Technology Committee, (iv) the Credit Committee; (v) the Personnel Incentives Committee; (vi) the Risk Management Committee; (vii) the Corporate Governance Committee; (viii) the Board of Directors’ Ethics Committee; (ix) the Finance Committee; (x) the Committee of Social and Institutional Affairs; (xi) the Employees’ Ethics Committee, (xii) the Assets and Liabilities Committee –ALCO-, (xiii) the Retail Banking Pricing and Rates Committee, (xiv) the Committee for the Protection of Financial Service Users, (xv) the Investment Committee, (xvi) the SMEs Lending Committee, and (xvii) the Real Estate Committee.

Control over compliance with the Banco Hipotecario’s by-laws is the responsibility of a Supervisory Committee made up by 5 members: one for Class “A” shares; one for Class “B” shares and three for Class “C” and “D” shares designated at the special shareholders' meeting held by each special class.

4.2. Dividend policy proposed or recommended by the Board of Directors.

The Bank’s Board of Directors upholds the policy to pay dividends to shareholders when the volume of earnings so permits and when the conditions and requirements imposed to that effect by the Argentine Central Bank’s regulations are satisfied.

In this regard, the Argentine Central Bank has provided that the payment of dividends – other than ordinary stock dividends - the purchase of treasury shares, payments over Tier 1 Capital instruments and/or payments of financial incentives under labor laws and regulations governing the relationship with financial institutions’ personnel, are contingent upon the restrictions established in its rules and regulations.

The Central Bank imposed certain conditions for financial institutions to be permitted to distribute dividends, namely: (1) they must rely on an express authorization from the Superintendent of Financial and Foreign Exchange Institutions concerning the amount intended for distribution, (2) the earnings intended for distribution must be determined through an off-balance sheet adjustment to net income arising from the difference between book value and market value of unlisted Government securities and/or Argentine Central Bank monetary regulation instruments and (3) the amount intended for distribution must not compromise the Bank’s liquidity and solvency; to this effect, the Central Bank will not admit earnings distribution when the Bank: (3.a) is subject to the provisions of Section 34 "Normalization and Turnaround" and Section 35 bis "Restructuring an entity to safeguard credit and bank deposits" of the Financial Institutions Law; (3.b) there are records of financial aid lent by the Argentine Central Bank on grounds of illiquidity in the framework of Section 17 of the Argentine Central Bank’s Charter; (3.c) incurs in delays or fails to comply with the reporting requirements set forth by this Institution; and (3.d) fails to pay the minimum capital or cash requirements, on an individual or a consolidated basis.

Entities which do not fall within the above-described assumptions may distribute profits for up to the positive amount resulting from an off-balance-sheet calculation that consists of adding the balances as of year-end charged to retained earnings and the balance of the optional reserve for future distribution of profits, minus the balance of the legal reserve and other required statutory reserves, net of the following items: (1) the entire debit balance of items accounted for under “Other accumulated comprehensive income,” (2) the gain (loss) from the revaluation of property, plant and equipment, intangible assets and investment properties; (3) the net positive difference between the measurement at amortized cost and the fair market value recorded by the entity in respect of public debt instruments and/or monetary regulation instruments issued by the Argentine Central Bank for instruments carried at amortized cost; (4) asset valuation adjustments notified by the Office of the Superintendent of Financial and Foreign Exchange Institutions –whether or not accepted by the entity- pending registration and/or such adjustments indicated by the external auditors which have not been recorded in the accounting records; (5) individual deductible amounts –from asset valuation- granted by the Office of the Superintendent of Financial and Foreign Exchange Institutions, including adjustments resulting from failure to consider the agreed-upon conformance plans.

In addition, entities may not distribute dividends out of profits derived from the first-time application of the International Financial Reporting Standards (IFRS), and are required to set up a special reserve to be released for capitalization purposes only or to offset potential negative balances under “Retained Earnings.”

The distributable amount may not compromise the entity’s liquidity and solvency either. This requirement will be deemed to have been met if no deficiency is found in the payment of the minimum capital position - on an individual and on a consolidated basis - for the fiscal year the retained earnings at issue are attributable to, or otherwise in the last closed position available as of the date the Argentine Central Bank’s authorization has been applied for, whichever shows less excess in the payment of the requirement, considering the following effects on the basis of the data available as of each of such dates: (a) the effects of deducting from assets the items detailed in sections (1) through (5) in the preceding paragraph; (b) the effects of failing to consider the deductible amounts granted by the Office of the Superintendent of Financial and Foreign Exchange Institutions affecting minimum capital requirements, payments or position; (c) the effects of deducting the following items from retained earnings: (i) the distributable amount and, where applicable, the amount set aside for the reserve for interest payable on debt instruments, which might become part of the entity’s regulatory capital (*responsabilidad patrimonial computable*), as per the proposal submitted to the Office of the Superintendent of Financial and Foreign Exchange Institutions; (ii) credit balances resulting from the application of tax on minimum presumptive income, net of the allowance for impairment, which have not been deducted from Tier 1 capital, pursuant to the guidelines on "Minimum capital requirements for financial institutions"; and (iii) the adjustments made by the entity as per the preceding sections (1) through (5).

On the other hand, the rules establish a capital conservation buffer additional to the minimum capital requirement in order for entities’ to accumulate equity to face potential losses, thus mitigating the risk of default on this requirement. This conservation buffer shall be equal to 2.5% of the entity’s Risk-Weighted Assets (“RWA”), in addition to the minimum capital requirement. Such conservation buffer rises to 3.5% of RWA for financial institutions qualified as “of systemic importance.”

Therefore, when the Board of Directors corroborates that the Bank is not within any of the above situations, the Board may determine the amount to be proposed for distribution as cash dividends and the date for effecting such payment to the shareholders’ meeting. In so doing, the Board shall be mindful that such distribution should not result in a decrease in the Bank’s economic capital such that it may hinder its growth requirements, whether or not through new businesses or the adequacy of such capital to face the risks that could reasonably ensue from unfavorable scenarios in the systemic environment, such as the country’s macroeconomic conditions.

In line with the above, the Board’s proposal must provide for: (i) applying with the Office of the Superintendent of Financial and Foreign Exchange Institutions for authorization to pay dividends, and (ii) at the time when the shareholders’ meeting approves the dividends, payment thereof should not adversely affect the entity’s liquidity and solvency as per the rules of the Argentine Central Bank.

Accordingly, when there are retained earnings at the end of the fiscal year and the requirements imposed by the Argentine Central Bank are satisfied, the Board will be able to approve and submit to consideration by the shareholders’ meeting a project to distribute earnings in the form of cash dividends together with the Entity’s financial statements.

4.3. Compensation Modalities: Directors’ fees and compensation policy applicable to the Bank’s Management.

The Entity’s by-laws provide for the compensation to be paid to the Board of Directors and delegate to the Executive Committee the decisions regarding the compensation of the Entity's management. Furthermore, in compliance with the provisions under the Central Bank’s Communiqués “A” 5201 and 5203, the Bank created a Personnel Incentives Committee to take care of this issue.

The Personnel Incentives Committee has been entrusted with a primary mission consisting in overseeing the incentives system. To that end, the Committee shall be responsible for laying down policies and practices to provide economic incentives to personnel involved in risk management, be it credit, liquidity, market, interest rate and/or operational risk, adjusting decisions to the exposure to these risks assumed by the Company according to the liquidity and capital requirements at stake both on potential and current risks and on future risks and/or risks to the entity's reputation and whereby the economic incentives to the members of the organization should be tied to the contribution by each individual and by each business unit to the Company's performance, as established by the Argentine Central Bank's Communiqué "A" 5599 or any other regulation that may replace or supplement it in the future.

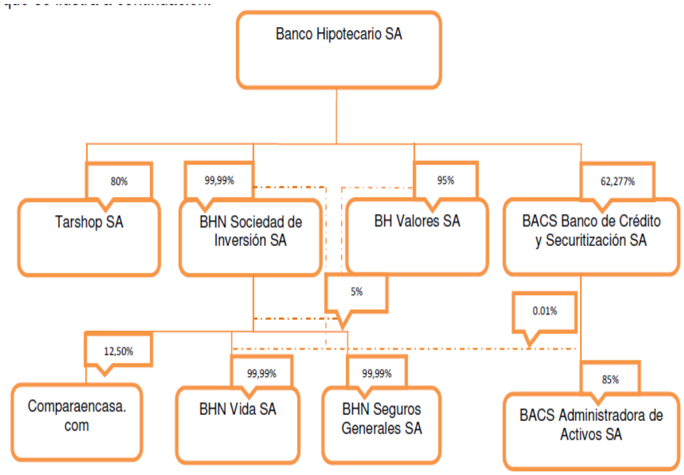
As regards the Board of Directors' fees, section 14 of the by-laws sets forth as follows: (a) Non-executive members: the duties of the non-executive members of the Board of Directors shall be paid on the basis of a global amount annually established by the Ordinary Shareholders' Meeting which amount shall be equally distributed amongst these members and among their alternate members pro rata of the time during which they were effectively substituting for regular members. The Ordinary Shareholders Meeting shall authorize any amounts that may be paid on account of such fees during the current fiscal year, subject to the approval of the shareholders' meeting called to approve said fiscal year; (b) Executive members: the Chairman and remaining Entity Directors who perform managerial, technical and administrative duties or who are members of special committees shall be paid for such functions or involvement in committees in line with the fees currently paid in the market for similar tasks in an amount to be fixed by the Board of Directors with the abstention of the parties mentioned and shall be subject to the approval of the Shareholders' Meeting; (c) Executive Committee members: the Directors who make up the Executive Committee and carry out the tasks provided for in section 19 of the by-laws shall be paid a bonus component equivalent to the amount resulting from deducting the fees of non-executive directors and the compensation payable to the Chairman and Directors in charge of specific functions as approved by the Ordinary Shareholders' Meeting for that same fiscal year from the maximum amount provided for in (d) below. The amount of this bonus component shall be distributed amongst the members of the Executive Committee following instructions imparted by the Executive Committee itself; (d) Maximum amount: the total amount of the compensation payable to the Directors, as paid or approved by application of the provisions in preceding paragraphs (a), (b) and (c) shall be limited to 5% of earnings net of tax for any given fiscal year in which no cash dividends are being distributed for any reason whatsoever, which amount shall be increased pro rata of the existence of dividends in cash up to a maximum percentage of 15% of computable income, as established in the Entity's by-laws; (e) insufficient earnings: in the event no income were generated in a given fiscal year or in the event income had been reduced to afford payment of the compensation provided for in preceding paragraphs (a), (b) and (c) which calls for an extension of the limits fixed in the preceding paragraph (d) and/or those established in section 261 of Law No. 19,550, may only be paid if expressly approved by the Ordinary Shareholders' Meeting.

On the other hand, in December 2017, the Bank announced the implementation of a benefit plan consisting of payments based on the Bank's shares of stock aimed at all active employees included in the payroll as of November 30, 2017. The plan seeks to align the organization's goals with the beneficiaries' goals, turning them into key players and makers of the organization's results. In order to be eligible for the transfer of title to the shares, beneficiaries shall meet certain conditions, including: (i) resignation, early retirement, retirement, voluntary retirement, dismissal without cause, or death, (ii) in the case of resignation, beneficiaries shall have no less than 5 years of service as of such date, and (iii) in all cases, beneficiaries shall have received an average rating equal to or higher than 90 in the last 5 performance reviews before their termination, or its equivalent, should there be a change in the organization's rating scheme.

5. SUBSIDIARIES.

5.1. The Company and its Subsidiaries: Structure.

The Bank has direct and/or indirect control over companies that make up the group of subsidiaries and they are, thus, subject to consolidation. The subsidiaries are: (i) BHN Sociedad de Inversión SA, a company engaged in investments and in managing ownership interests in the capital stock of other companies; BHN Vida SA, a life insurance company; BHN Seguros Generales SA, an insurance company that carries insurance against fire and damage to real property, and Comparaencasa.com; (ii) BACS Banco de Crédito y Securitización SA (BACS), a commercial bank which in turn owns a shareholding in BACS Administradora de Activos SA (BACSAA); (iii) BH Valores SA, a company engaged in stock brokerage and (iv) Tarshop SA, an issuer of credit cards. Therefore, the structure of the Bank and its subsidiaries is as illustrated below:



Banco Hipotecario, the parent company, is at the center of the main financial intermediation activities and it defers to other economic units the banking supplementary businesses and services, as well as insurance, stock brokerage and the issuance of credit cards and mutual fund management companies, although the Bank always maintains and encourages potential synergies amongst their different customers.

5.2. Subsidiaries.

5.2.1. BHN Sociedad de Inversión SA. BHN Seguros Generales SA, BHN Vida SA and Comparaencasa.com

The Bank is the holder of a 99% interest in the capital stock of the insurance companies “BHN Vida SA” and “BHN Seguros Generales SA” These companies are under the supervision of the Argentine Office of the Superintendent of Insurance.

BHN Sociedad de Inversión conducts substantial commercial and financial activities with related companies, particularly, Banco Hipotecario, as it offers, through its subsidiaries, coverage for its financial product portfolio, while also selling insurance policies among its customer base under agency agreements.

The insurance companies’ business is based on offering solutions for large customers engaged in the financial sector, while also offering insurance solutions covering family protection needs of policyholders’ customers. These companies carry out their business under an insurance banking model, focused on offering standardized products with limited dispersion in terms of insured capital and mass distribution.

BHN Seguros Generales’ current product offering is targeted at protecting the assets of policyholders and their customers, who are offered simple and genuine alternatives to protect their property.

BHN Vida’s products are variants of term life, personal accident and health insurance with different options of insured capital, adequate to protect outstanding balances and also household consumption upon the policyholder's death.

Currently, the product offering includes:

- Credit Life Insurance: It covers the lender of the financial product against outstanding debt upon the borrower's death.
- Fire Insurance: It covers buildings pledged as collateral of financial products against fire and other physical damages.
- Personal Accident Insurance: It provides coverage against the policyholder's death or total or partial disability as a result of an accident. It also covers daily hospitalization expenses and reimbursement of medical and pharmaceutical expenses.
- Home Insurance: It provides coverage against fire affecting the building or its general contents, theft, third party's liability, cleaning and accommodation expenses, hail, home appliance insurance, and glass breakage insurance.
- Life Insurance: It provides coverage against death, with double benefits on accidental death and early payment of insured capital if policyholder is diagnosed with a critical illness.
- ATM Theft Insurance: It provides coverage against theft of money withdrawn from an ATM or bank teller, and also against theft of personal documents.
- Personal Property Insurance: It provides coverage against personal property loss, destruction or damages as a result of actual or threatened theft, while in transit. The insured property includes bags and their contents, electronic and telephone devices, and computers.
- Purchase Protection: It provides coverage against the repair, replacement or reimbursement of products purchased with credit card for up to 90 days following the purchase date. It covers the products purchased against theft and accidental damages.
- Unemployment Insurance: It provides coverage against employees' layoffs, and against work-related disability and accidental death for self-employed.
- Heath Insurance: It covers surgeries and transplants.

As its concerns the regulatory framework, the Argentine Office of the Superintendent of Insurance has approved coverage in the several lines of business these subsidiaries are engaged in.

During 2015 and 2016, the Argentine Central Bank introduced certain regulatory changes restricting the Credit Life Insurance market. According to such restrictions, financial institutions may not charge commissions and/or fees of any kind for credit life insurance products, and shall hire credit life insurance (or shall be otherwise self-insured) providing coverage against death or total permanent disability in respect of loans granted to third parties. These changes had a negative impact on premiums accrued from this product, with the ensuing decline in its share in the total portfolio, which was offset with increased revenues from the other products.

In recent years, the companies have expanded their product portfolios, including additional services to their existing products in order to provide comprehensive insurance to customers and offset the underwriting results of the Credit Life Insurance portfolio.

The companies' strategy is based on continuing growing their business, both in terms of number of customers and products. In this sense, the companies are assessing the launch of new products to complete a comprehensive offering, including new lines of business and policies, and adjusting the insured amounts of the existing ones to the customers' needs.

In addition, work is being done to incorporate new trade partners who are part of the business group, and to diversify distribution channels. The company is also working actively on the development of new channels, particularly, digital channels, to keep up with emerging trends.

In addition to its equity interests in the insurance companies, BHN Sociedad de Inversión also owns a 12.5% interest in Comparaencasa Ltd. Such interest also includes the issuance of warrants by Comparaencasa Ltd. which entitle (but do not compel) BHN Sociedad de Inversión to subscribe shares in future investment rounds, at a 35% discount on the subscription price. Comparaencasa Ltd is a company based in England and the parent company of the Argentine subsidiary Comparaencasa SA and the Brazilian subsidiary Comparaen Casa Servicos de Informacao Ltda de Brasil, both of them doing business as "comparaencasa.com". The

Argentine subsidiary Comparaencasa SA is authorized to act as insurance broker by the Argentine Office of the Superintendent of Insurance and currently does business online, at www.comparaencasa.com. Comparaencasa's strategic goal is positioning as the leading online insurance broker in Argentina and then expanding the business at a regional level. The Bank's interest in Comparaencasa is strategic and allows it to tap into the insurance business online.

Finally, in addition to its interests in the insurance companies and Comparaencasa, BHN Sociedad de Inversión owns a 5% minority interest in BH Valores SA.

According to the valuation criteria laid down by the Argentine Office of the Superintendent of Insurance, BHN Sociedad de Inversión SA's financial highlights are disclosed in Exhibit E to the Bank's financial statements.

5.2.2. BH Valores SA.

During 2018, following the enactment of the new Capital Markets Law, BH Valores S.A. ceased to act as promoter for the Bank at year-end, for this capacity was eliminated by the new law. Given this situation, the Bank is considering how to proceed with this company.

According to the valuation criteria established in the generally accepted accounting principles of the professional accounting standards, BH Valores S.A.'s financial highlights are disclosed in Exhibit E to Banco Hipotecario's financial statements.

5.2.3. Tarshop SA.

The Bank owns an 80% equity interest in Tarshop through which it is engaged in the consumer lending business.

In 2015 and 2016, Tarshop completed a reshaping process of its operations, entailing the full migration of its credit card portfolio from “Tarjeta Shopping Pura” (i.e., closed brand) to “Tarjeta Shopping VISA”, seeking to provide increased commercial strength and coverage to the product.

Then, in January 2017, Tarshop was authorized by the Argentine Central Bank to extend consumer loans on a final basis, resulting in an increase in the financial product offering addressed to its business segment.

As of December 31, 2018, Tarshop had more than 33,280,000 active accounts with average outstanding balances of AR$ 15,000 per account. The total portfolio, that is, performing and non-performing, amounted to AR$ 6,090.1 million, with 49.4% being the portfolio securitized through the “Tarshop” Financial Trust Program and through private trust funds.

The portfolio of performing receivables, net of write-offs at the end of the fiscal year 2018, including securitized coupons, totaled AR$ 5,320.6 million, 11.3% lower than the AR$ 5,997.2 million portfolio as of December 31, 2017.

As of December 31, 2018, Tarshop had a commercial network made up by 21 sales and management outlets. At that date, merchants accepting “Tarjeta Shopping VISA” were more than 450,000, generating more than 5.8 million transactions as of the fiscal year then ended.

Tarshop's revenues were affected by the impact of the regulatory changes effective since 2013 and 2014 in connection with controls over charges, commissions and interest rates. Accordingly, Tarshop initiated a reshaping process of its operations, with the inclusion of “Tarjeta Shopping Visa” to its portfolio of financial products. On September 5, 2014, Tarshop entered into an agreement with Prisma Medios de Pago SA (former Visa Argentina SA) in connection with the launch of “Tarjeta Shopping VISA”.

On September 17, 2015, November 4, 2015 and June 24, 2016, Tarshop's shareholders effected irrevocable capital contributions in the amount of AR$ 52,500,000, AR$ 52,500,000 and AR$ 250,000,000, respectively, in proportion to their respective shareholdings to increase cash and cash equivalent balances to fund the project pipeline and develop Tarshop's Business Plan. In the face of the observations raised by the Argentine Central Bank, and with the previous agreement of the CNV (File No. 3416/2015), the statutory term to capitalize the aforementioned irrevocable contributions was temporarily stayed. Then, once the observations raised by the Argentine Central Bank had been duly addressed, Tarshop applied with the CNV for the elimination of the aforementioned stay of statutory terms, petition which was granted on May 3, 2017.

On July 27, 2017, Tarshop's shareholders, gathered at the company's unanimous ordinary shareholders' meeting, decided to capitalize the entire balance of Irrevocable Contributions in an aggregate amount of AR$ 355 million, with no additional paid-in capital and in proportion to their shareholdings and, hence, to increase the capital stock from AR$ 243 million to AR$ 599 million. Such capital increase was registered with the Argentine Office of Corporations (*Inspección General de Justicia*) on August 14, 2017.

Since the enactment of Communiqué “A” 5700 (financing supplementary services and permitted activities) by the Argentine Central Bank, Tarshop was allowed to extend credit out of the scope of the Credit Card Law to users of financial services, to the extent such activity does not surpass the 25% of total lending by the end of each month, and to the extent Tarshop complies with the rules governing interest rates applicable to credit operations. Consequently, Tarshop’s corporate purpose was amended to include the above mentioned business. Such change was registered with the Argentine Office of Corporations on January 8, 2016 and with the Argentine Central Bank on January 7, 2017 under Code No. 70106.

On the other hand, the Argentine Central Bank issued Communiqué “A” 6277 eliminating the 25% limit to personal loan origination set forth in Communiqué “A” 5700, among other things. Accordingly, companies such as Tarshop may freely build their product portfolio, without the aforementioned restrictions.

The prevailing macroeconomic context—particularly, the high interest rates—had a negative impact on Tarshop's financial position and liquidity, compelling the company to adopt new measures to strengthen its balance sheet. Therefore, on December 26, 2018, Banco Hipotecario, Tarshop's majority shareholder, disbursed AR$ 480.0 million as an irrevocable contribution. The use of these proceeds will be discussed at the next shareholders' meeting.

During 2018, Tarshop maintained a strategy for diversifying its funding sources strongly reducing its exposure in financial trusts and raising its lines of bank loans and structured financing.

In line with this policy, in 2018 Tarshop issued a class of Notes (Negotiable Obligations) in an aggregate principal amount of AR$ 354.9 million under its 2016 Global Program of Negotiable Obligations for up to a maximum authorized amount of USD 200.0 million. This way Tarshop maintained an exposure in the local capitals market through this type of instruments for AR$1,341.9 million.

As concerns the issuance of financial trusts, during 2018, Tarshop issued 6 series totaling AR$ 1,069.0 million under its Global Trust Securities Program for up to an aggregate outstanding amount of AR$ 2,000 million. During the same period, Tarshop developed new sources of financing, and consummated debt transactions for an aggregate amount of AR$ 4,377.0 million.

Finally, according to the valuation criteria established in the generally accepted accounting principles of the professional accounting standards, Tarshop’s financial highlights are disclosed in Exhibit E to Banco Hipotecario’s financial statements.

5.2.4. BACS Banco de Crédito y Securitización SA.

BACS’s strategy seeks to grow assets increasing the Bank’s financial and operational leverage, reinforcing its positioning as one of the leaders in the local capital market and tapping into new business opportunities to consolidate BACS business model, expanding the credit base and generating synergies with current activities such as origination, distribution and trading. BACS continues strengthening its own credit origination and its investment banking services. On the other hand, BACS is engaged in the mutual fund management business through Toronto Trust, with AR$ 6,988 million as of December 31, 2018.

Also in 2018, BACS took part in investment banking transactions for approximately AR$ 45,945 million, including negotiable obligations, financial trusts, provincial bills and bonds, and syndicated loans, in a total of 52 transactions, being the lead agent in 21 of them. BACS ranked fourth in the ranking of corporate debt primary issuances and has participated in 18 issuances which, combined, totaled AR$ 27,000 million.

In the secondary market for publicly traded corporate debt, BACS has continued occupying the third position in Mercado Abierto Electrónico’s accumulated ranking with a 12% of the market share (in 2017 BACS ranked second with an 11% market share).

During 2018, BACS acquired portfolios of receivables for AR$ 275.8 million, originated pledges and personal loans for AR$ 70.4 million, granted advances to financial trusts for AR$ 685.6 million, and took part in corporate loans for AR$ 12.5 million.

BACS issued a total of 16 series of negotiable obligations for a total of AR$ 1,705 million outstanding as of December 31, 2018, and continued to enhance its financials which resulted in assets by the end of fiscal year 2018 that stood at AR$ 3,602 million, which points to a 44% rise compared to the December 31, 2017.

In addition, the trust portfolios under BACS' management amounted to AR$ 578 million attributable to its services as general manager.

As of December 31, 2018, BACS recorded a net profit of AR$ 102 million and its shareholders' equity amounted to AR$ 526 million, as disclosed in Exhibit E

5.2.5. BACS Administradora de Activos SASGFCI.

BACSAA is the management agent for the Toronto Trust mutual funds. BACS acquired an 85% interest in BACSAA in May 2012, when the firm changed its name from its previous "FCMI Financial Corporation SASGFCI" designation to current "BACSAA". This company manages a family of mutual funds that cover a broad range of investment profiles and horizons both from institutional and individual investors. The funds are primarily offered through Banco Hipotecario in its role as Mutual Fund Placement and Distribution Agent.

According to the valuation criteria established in the generally accepted accounting principles of the professional accounting standards, BACSAA's financial highlights are disclosed in Exhibit E to Banco Hipotecario's financial statements.

6. PRO.CRE.AR. Bicentennial.

Since its inception, the purpose of the PRO.CRE.AR program has been increasingly guaranteeing the right to have access to a home and with such right, to make the dream of many Argentines of owning their own houses come true and to foster a virtuous circle in the economy. In 2018, the Bank celebrated its sixth anniversary as trustee of the PRO.CRE.AR program, an initiative driven by the Argentine government to address the housing needs of the citizens countrywide.

As of year-end, the program will have provided over 190,000 housing solutions through individual loans for home construction, enhancement, completion, repair and acquisition.

The main focal points of this program include:

- Individual home financing arrangements and urban home development on properties owned by the National, Provincial or Municipal Governments, providing families the possibility to have access to their first home through the acquisition of brand-new housing units at any of the 70 urban developments distributed nationwide.

- A home improvement credit program known as *Línea Mejor Hogar* led by the Secretariat of Housing through which families may access to credit facilities destined for utility connection or home improvements or enhancements, in order to have increasingly safe and quality homes. Banco Hipotecario is the exclusive originator of these facilities.

- A credit facility program known as *Línea Ahorro Joven* aimed at young people from 18 to 35 years old earning both registered and unregistered income in order for them to be able to buy their first home through a mortgage loan. Selected applicants could show up at the Bank to initiate the savings process for at least 12 months to qualify for this credit facility. This credit facility is expected to be rolled out again in fiscal year 2019.

The Bank has managed to maintain a prominent role in the housing and construction market, which it aims to consolidate in the years ahead, by providing assistance to the Argentine government, leveraged on the structure and know-how of the team that led the PRO.CRE.AR. program under its several variants.

The Bank is also analyzing new operation modalities for future Urban Developments, as well as new housing development businesses with prospects, in line with the Bank's vision of positioning itself as a provider of construction project management services.

In this respect, the Bank is assessing some services required by the Argentine government, leveraging on its team's experience and national coverage, services aimed at curbing the housing deficit, and development of service infrastructure in certain sectors of the population (gas network, sewers, electricity, etc.).

6.1. Individual Home Financing Arrangements.

The individual lines of credit are aimed at the construction, enhancement, completion and refurbishment of homes. Besides, based on the needs of each beneficiary, the program launched new lines of credit targeted at families who wished to construct but could not afford the land and an additional line of credit targeted at beneficiaries who were in the construction process whose loan, as originally granted, was for several reasons, insufficient to complete the works.

The following table shows the number, amount and purpose of the loans granted in 2018:

Line	Number of loans	Amount lent	Proceeds from BHSA's own capital	Proceeds from PRO.CRE.AR.
Home construction	282	AR$ 398.2 million	AR$ 398.2 million	
Home acquisition	442	AR$ 628.8 million	AR$ 628.8 million	
Casa Propia program – Acquisition	135	AR$ 83.5 million	AR$ 83.5 million	
Casa Propia program – Construction	328	AR$ 205.2 million	AR$ 205.2 million	
Microcredit under the *Mejor Hogar* program -	18,035	AR$ 361.9 million		AR$ 361.9 million

6.2. Urban Developments.

The Urban Developments line is the second large axis of the PRO.CRE.AR program. It is a line of credit for the acquisition of new homes built under the Program on public land located in urban areas, particularly, in such areas with more pressing housing issues.

The development of urban projects driven by the Program is linked to the policy the Federal Government has been pursuing to strengthen and consolidate social integration processes and to encourage economic growth through home building. This strategy to approach the housing issue brings along the added value of controlling and using urban land for social purposes, helping to limit speculation in real estate transactions.

In this regard, the urban projects (at present, average completion is 96%) are conceived to streamline the use of land and give priority to housing location, foster the development of supplementary activities to residential home building, including commercial and/or productive facilities, and introduce productive systems and materials used locally. In addition, a significant portion of these developments includes the construction of social equipment and green and recreational areas. The needs of new and old residents of the area are hence satisfied, generating room for social integration.

From the architectural standpoint, the urban development projects seek to combine different types of housing in order to generate certain diversity in terms of social composition, scale and aesthetics, while also generating varying appropriations by the community. These types may also be extended according to the needs of each family. Each type of home has a quality design in both its functional (comfort and sufficient room space) as well as in its aesthetic aspects, and is built abiding by high quality standards for materials and finishing. In addition, these homes are built considering the needs of people with disabilities, who will account for a significant number of the future beneficiaries of these developments.

In summary, the smart use of public land streamlines the use of land and helps to recover its social value. The development of urban projects, with their respective supplementary infrastructure, reveals the intent of conceiving the housing right from a comprehensive point of view, oriented to the quality of life of broad social sectors.

With presence across all Argentine provinces, except for Catamarca, below is a detail of Urban Developments' highlights as of December 31, 2018:

- To date, 70 lots of land have been awarded and are underway (as mentioned above, project completion is at 96%)
- Housing units under construction: 23,304. Total area of projects under construction: 2,197,650 m2, which turns Urban Developments into the main constructor of housing units nationwide, surpassing annual ratios of works permits in the major cities of Argentina, including the Autonomous City of Buenos Aires, Cordoba, Rosario and Mendoza.

- Investment in Works: As of December 2018, investment in civil works amounted to AR$ 42,098 million (including lots with utilities), while accumulated investment in infrastructure amounted to approximately AR$ 2,500 million (AR$ 180 million in 2018). In addition, the program invested in infrastructure links outside the lots (over AR$ 1,000 million invested), resulting in a great development for communities and improving their residents' quality of life. These investments are tied to productivity, competitiveness, economic growth, public investment, poverty reduction and equal opportunities. Infrastructure development strategies have always been characterized for their boosting effects on public and private investment, as well as on social mobility.

- Raffles and Deliveries: As of December 2018, 20 lots were raffled (mostly, lots remaining from other raffles), accounting for a total of 2,907 homes. Delivery to the winning beneficiaries commenced during the second half of the year. As of December 31, 2018, 8,310 housing units had been delivered under the program.

- Lots with Utilities: At present, there are approximately 8,461 lots under construction. As of December 31, 2018, 5,292 lots were raffled, with 1,230 of them having been delivered to beneficiaries. The delivery of pending lots stagnated during the year, and will be fully resumed during fiscal year 2019, with 2,115 lot tenders that will be offered for sale during the first four months of 2019.

6.3. Public-Private Partnerships.

The "PRO.CRE.AR. Desarrolladores" program deserves a separate chapter. Pursuant to this program, which is sponsored by a public-private partnership, developers build real estate projects on land owned by the Program.

The program provides the land owned by the trust fund, while developers execute the project and construction works, and receive, at their option, financial support from the program or other financial institutions. The land is financed by the Program and the developer pays for it out of finished units or with a portion of the proceeds from the sale thereof to third parties qualifying for the individual lines currently existing under the PRO.CRE.AR. program.

Four tender processes were conducted under this program, with lots in Rosario and the city of Santa Fe having been awarded. No new tenders were conducted during fiscal year 2018 due to the increasing borrowing costs and the prevailing conditions of the real estate and construction market.

Some selected lots are expected to be tendered during the first quarter of 2019, as market conditions improve. Through this program, the public-private partnership model beings to consolidate as a project execution vehicle.

7. STRATEGIES FOR 2019.

In 2018, Banco Hipotecario initiated a transformational process aimed at gradually balancing the Bank's goals, whilst reaching efficiency, profitability and liquidity ratios similar to the industry's benchmarks, preserving its shareholders' equity in real terms over the time.

In this framework and giving priority to the Bank's solvency and liquidity, the following focal points will be consolidated during 2019:

- Subordinating asset growth to the growth of the Bank's core liabilities, whilst balancing consumer and commercial portfolios both in terms of their several components and in relative terms amongst them.
- Increasing core liabilities, namely, individuals' sight accounts and fixed term deposits, through commercial campaigns, focused on digital origination and cross-sell actions.
- Boosting Retail Banking, particularly, cash management services, paying agent services, payroll account agreements, interest-bearing accounts and tax payments (AFIP).
- Developing Digital Banking, with special emphasis on borrowing products and an enhanced customer's experience.
- Maintaining the Bank's leading position in the primary and secondary mortgage market, leveraged onnew credit facilities, securitization of previously granted UVA-linked mortgage loans, and digital origination of mortgage loans.
- Maximizing profitability per customer through incremental cross-selling efforts, underpinned by the deployment of retail and wholesale product bundles.
- Executing the budget on the basis of a new expenditure management model, involving and engaging each area and sector in the project.
- Arranging policies and processes embracing a more efficient working methodology leading to mitigate operating risks and allowing for adequate project planning in line with the long-term strategy.
- Empowering people development, identifying talents and rewarding the effort and commitment, through career paths and growth opportunities.

This is how Banco Hipotecario aspires to deploy its strategic plan in 2019, while permanently monitoring macroeconomic variables and accommodating the strategy to potential changes in the prevailing scenario.

8. PROJECT TO DISTRIBUTE EARNINGS.

Items comprising the project to distribute earnings	**Amounts stated in millions of AR$**
Net income for the year ended December 31, 2018	2,051.4
Previous years' adjustments	(142.1)
Subtotal	1,909.3
Amount appropriated to legal reserve (20% of 1,909.3)	(381.9)
Amount appropriated to discretionary reserve for future distribution of earnings	**1,527.4**

Autonomous City of Buenos Aires, March 6, 2019
Saúl Zang
BOARD OF DIRECTORS.

EXHIBIT I - SUSTAINABILITY REPORT

THE BANK'S FOOTPRINT

The Bank takes a responsible approach to social investment. Its strategic plan is approved and monitored by the Committee of Social and Institutional Affairs, which unanimously agreed upon to set aside 3%-5% of the Bank's annual net income to develop community projects and programs. Accordingly, donations are administered in a sustainable manner, directly aligned with the business strategy.

Year after year, the Bank interacts with several NGOs from several parts of the country, building strong bonds with them, while being mindful of the several social issues, with a comprehensive look and always willing to listen. The Bank, in association with Argentina's main social leaders and organizations, addresses several issues which are key to our society.

The work done in the community is underpinned by two institutionally-intrinsic pillars: long-term commitment and federal scope. Both aspects define a clear footprint—a style that helps build long-lasting bonds, projects developed over the time, and federal scope with local impact, all factors that contribute to cause a social change with positive impact.

In 2016, the Bank's Board of Directors approved the “Social Responsibility Policy,” setting out its social investment management guidelines, in order to ensure transparency and report on the manner in which the Bank relates with the community. This document helped formalize corporate transparency, professionalize processes, define strategies, and systematize management within the Bank. This policy has also encouraged the creation of social capital to be deployed in the community, with lasting effects over the time.

Meaningful Talks.

Sustainable development poses the challenge of meeting current needs, without compromising future generations' ability to meet their own. The future urges and invites us to foster economic and social growth and to protect the environment in a balanced manner, with the active involvement of the public and private sectors, and social organizations.

In light of this vision and as part of the redefinition of fields of action in the community, the Bank came up with a space to meet with journalists specialized in ESR. This dialog initiative was named "meaningful talks." The focus was placed on identifying such core issues in which the fields of action in the community are dovetailed with the current agenda (in terms of relevance, scope, impact, etc.), according to the views of the leading sustainability journalists.

During the second half of the year, representatives of the Bank’s Social Affairs area met with several media, such as La Nación Comunidad, ComunicaRSE and Visión Sustentable, enriching the institutional look with a more exhaustive approach to the national social context, from a journalistic perspective.

Addressing issues such as direct aid and citizenship building requires a responsible and comprehensive approach that favors the development of forward-looking transformative actions. This is the reason why the Bank is committed to several vulnerable communities of Argentina, boosting local development, and access to education; and providing useful tools that foster citizen engagement and respect for human dignity.

This space for dialog reassured the belief that has historically guided the Bank's actions in the community. Being aware that its current operations may have a positive impact on the future, the Bank has managed to position itself as an active social player, mindful of the country's needs. This is how the Bank's comprehensive business management underpins its social mission.

SUSTAINABLE MANAGEMENT

It is the Bank's policy to manage resources with responsibility, striking a balance between quality assets and liabilities, whilst preserving its financial strength and liquidity and ensuring the transparency and sustainability of its operations. Accordingly, during fiscal year 2018 the Bank led a number of sustainable actions that yielded outstanding results, namely:

Financial Impact

- Net income for the year of AR$ 2,051 million.
- First bank in securitizing a portion of its UVA-linked mortgage loans.
- Origination of personal loans in the amount of AR$ 7,981 million.
- 23,304 homes built countrywide under the PRO.CRE.AR. Urban Development program, 83% of which were already delivered to their beneficiaries.
- The Bank managed to build a loyal portfolio of over 700,000 active and operational cards.

Social Impact

- Interaction with 564 NGOs.
- 271,153 people supported by our programs.
- AR$ 53.7 million invested in the community.
- 60 organizations sponsored by volunteers participated in the program to strengthen solidarity initiatives.
- 290 volunteers.

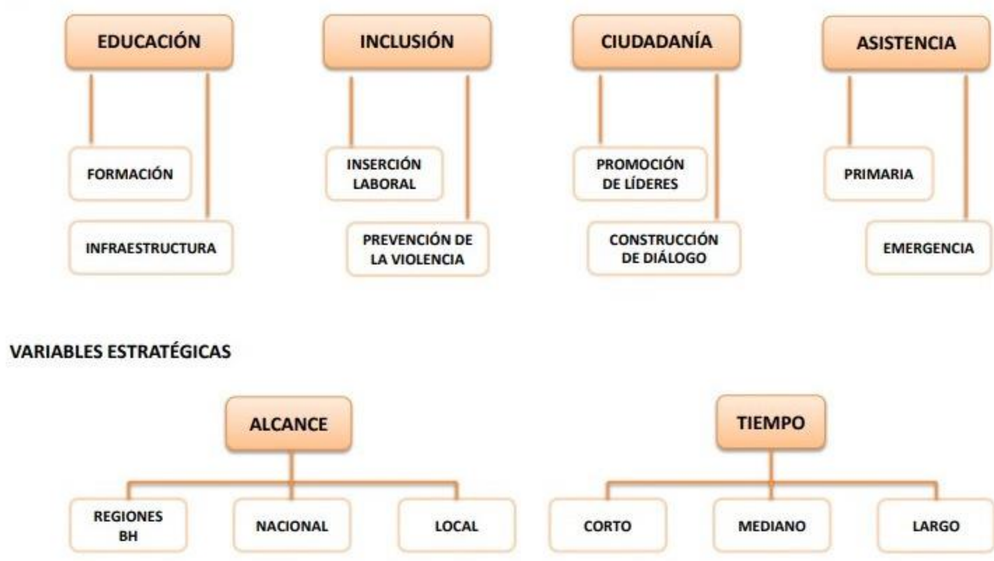
Environmental Impact ([1])

- 24,506 kilograms of paper, 455 kilograms of plastic, and 282 kilograms of metal delivered to the Garrahan Foundation.
- 762 pieces of furniture and IT equipment delivered to 12 NGOs under the “Equipados para Dar” (Equipped to Give) program.

[1] According to the terms of Resolution 767 handed down by the Argentine Securities Commission (CNV), the Bank provides supplementary information on environmental indicators under the title GRI Environmental Indicators. Such indicators follow the international standards set out by the Global Reporting Initiative (GRI).

FIELDS OF ACTIONS IN THE COMMUNITY

Amidst a rapidly changing social agenda, the Bank made its contribution to the society through several fields of actions that guided its work in the community. Within each of these fields, the Bank supported and boosted programs and actions developed by the same organizations, who are deeply familiar with the pertinent social area. These programs were national in scope, in line with the Bank's business. The 4 areas of action that guided our work encompassed the following:



Where "Educación" stands for Education; "Formación" stands for Training; and "Infraestractura" stands for Infrastructure.
"Inclusión" stands for Inclusion; "Inserción laboral" stands for Job placement; "Prevención de la violencia" stands for Prevention of violence.
"Ciudadanía" stands for Citizenship; "Promoción de líderes" stands for Leader development; "Construcción de diálogo" stands for Dialog building.
"Asistencia" stands for "Aid"; "Primaria" stands for Primary; and "Emergencia" stands for Emergency

"Variables estratégicas" stands for Strategic variables; "Alcance" stands for Scope; "Regiones BH" stands for BH's regions; "Nacional" stands for National
"Tiempo" stands for Time; "Corto" stands for Short-term; "Mediano" stands for Medium-term; and "Largo" stands for Long-term

Education

The Bank fosters inclusive and comprehensive education for it believes it is a key factor to develop future growth opportunities in any society. From the several approaches and manners to contribute to the development of education, the Bank focused on:

- Training: Training delivered to people that are part of the education community, primarily, teachers and students, through professional training and scholarships.
- Infrastructure: Infrastructure improvements and contribution of resources to Argentine schools through local development.

Inclusion

Social inclusion is closely linked to equal opportunities. The Bank focused on the following actions to foster social inclusion:

- Job Placement: Access to the job market by people from vulnerable backgrounds through the development of skills, tools and trades.

- Prevention of Violence: The Bank champions for the elimination of any form of violence, abuse and discrimination by supporting social organizations engaged in assistance, training and research activities. The Bank also fosters practices to take a comprehensive approach to drug use and abuse, and to develop multiplying agents in this respect.

Citizenship

Banco Hipotecario supported several projects that encourage people to be actively involved as engaged citizen in decision-making processes, so as to build consensus enabling the development of a more fair and equal community. The Bank supported several citizenship-related initiatives, namely:

- Leadership Development: It fosters the development of business, political and social leaders that foster development and drive empowerment in their communities to reach sustainable development. These initiatives foster solidarity among several people, including the Bank's employees, who contribute resources (time, skills, know how, and materials) to help social organizations.

- Building Dialog: It encourages interreligious, cross-cultural, social and political dialog as a constructive contribution to diversity-respectful communities.

Direct Aid

The Bank makes direct contributions in the form of financial and material resources to address core social issues that endanger human dignity. The Bank's direct aid contributions are focused on:

- Primary Aid: Support is given to social organizations that strive to guarantee decent food, health and housing conditions in several communities of our country.

- Emergency: The Bank contributes to specific situations resulting from unexpected events that require immediate attention.

In addition to the 4 main fields of actions and their respective sub-areas, the Bank embraced two additional strategic variables: time and geographic scope.

- Time: Refers to the support and sponsorship to organizations and projects over the years. This variable embraces the short-term (1 to 3 years), medium-term (4 to 7 years), and long-term (over 8 years).

- Geographic Scope: This variable considers the coverage of the NGOs' projects directly within the territory. The geographic scope may be regional (impact on one or more regions where the Bank has a footprint through its branches, and is related to community activities), national (embracing the entire national territory), and local (community, neighborhood or municipal influence).

To the Bank, the relationship with organizations in the medium-term and with regional extent weighs high, for it allows it to take specific actions within each region, according to their needs, while proposing a fair period of involvement for projects to be able to continue independently from the Bank. Hence, the relationship goes through a growth process after which the organization attains an installed capacity which allows it to diversify income.

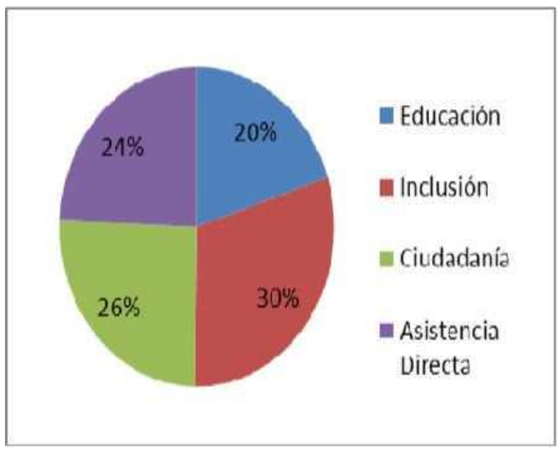
Within the Bank's comprehensive management matrix, the fields of action add a total of 90 points, and the time and scope variables add 10 points to reach a total weighing of 100 points. According to the social agenda, every year the Banks reviews and updates the 90 points corresponding to the fields of actions, allocating such points among them, with none of them getting the same ultimate score.

Once these weightings are updated, the projects and social organizations the Bank works with are analyzed according to the established fields of actions and the time and scope variables with their related scores. This way the Bank is able to determine the most efficient way in which social investment may help reach the annual target.

In turn, the matrix is underpinned by the Social Responsibility Policy which embodies how the Bank manages its investments in the community, beyond the people who are currently in charge of this duty.

In 2018, out of the Bank's total private social investment (PSI), 21% was allocated to solidarity initiatives brought forward by our employees, while 72% was allocated to strategic social programs in partnership with NGOs. The remaining 7% was set aside to establish a fund available for future community actions.

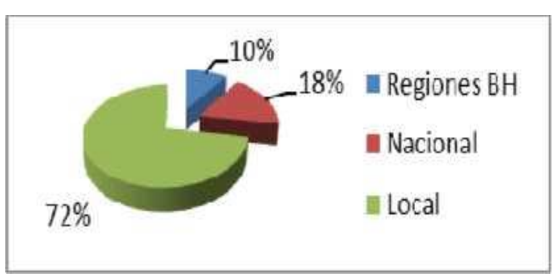
PSI Distribution in 2018, as per applicable guidelines



Where "Educación" stands for Education; "Inclusión" stands for Inclusion; "Ciudadanía" stands for Citizenship; and "Asistencia Directa" stands for Direct Aid.

For fiscal year 2019, the Bank has proposed a financial reallocation of donations among the social organizations comprising each field of action. In this regard, donations to the education area will increase by 17%, while donations to the citizenship area will decline by 15%. Beyond this, the number of NGOs who will receive financial aid will remain unaltered.

Geographic Scope Distribution, Donations to NGOs in 2018



Where "Regiones BH" stands for BH's regions; "Nacional" stands for National; and "Local" stands for Local.

Seventy two per cent (72%) of the NGOs the Bank works with have local scope, that is, they are community-based, neighborhood-based or municipal organizations. This is directly associated with the nature of the social organization. However, this does not entail a decline in the national scope of the programs. The project coverage is strengthened by the nationwide presence as well as by the involvement of the branch network in the "Unidos para Dar" program.

POSITIVE IMPACT

Recognition to urban soil municipal management

During the last quarter of 2018, the NGOs TECHO and RIL (*Red de Innovación Local* or Local Innovation Network) deployed the first stage of the "Urban Soil Municipal Management" project.

This initiative encompasses the development of an urban soil generation and consolidation ratio, and a territorial survey, following which such municipalities that put forward opportunities for improvement in their management practices, and those which are already implementing good practices in this regard, will be rewarded. The overall goal of this project devised by the Bank is to have an impact on the development and implementation of municipal public policies related to the generation of formal and affordable urban soil. In addition, the project contributes to the Bank's institutional strengthening, honoring its historical social mission and empowering local communities in the comprehensive management of urban soil.

Specifically, the first stage of the project encompassed the creation of several Expert Tables (comprised by experts from National and Municipal Governments, academics, professional associations, thought leaders, etc.) to build a Self-diagnosis Tool (indicators related to land titling regularization, services, applicable rules and regulations, etc.).

Then, the project entails surveying 100 municipalities with over 10,000 inhabitants to gather the information required by the tool, the full ranking design (terms and conditions, creation of a jury, communication, etc.), and the future recognition of some municipalities.

Being actively involved in processes that enable urban development with increased social integration and equity, and that provide further environmental sustainability and transparency to municipal management activities, is an ongoing challenge that inspires the Bank. The Bank encourages actions where the commitment undertaken allows to materialize improvements in the community in the short-, medium-, and long-run.

Financial Inclusion

In September 2018, the 12th Microfinance Meeting of the Argentine Network of Microfinance Institutions (RADIM) was held at the University of Buenos Aires' School of Economic Sciences. Some of the Bank's managers participated in the panel on financial inclusion instruments, on behalf of Banco Hipotecario.

These managers made reference to the agreement with Fundación Pro Mujer Argentina, pursuant to which Argentine entrepreneur women who are part of the organization initiated a bankization process. "Our relationship with Pro Mujer was established in 2006 when the Bank gave away USD 250,000 as financial support to the development and expansion of the Foundation's technical assistance and institutional capacity building operations. In addition, the Bank granted Pro Mujer a reimbursable loan in the amount of USD 500,000 to extend microcredit, and deliver training on microenterprises and basic health services, in order to support the first 1,000 women and their families. "We are now reaping the benefits of this relationship, which has afforded Banco Hipotecario the opportunity to actively help these women achieve sustainability in their personal, family and community life."

This milestone serves a role model for the financial system, since its visible positive impact encourages to undertake a true commitment to vulnerable sectors' financial inclusion and formal economy countrywide.

Corporate Voluntarism

In December, Fundación SI partnered with the Bank to carry on a solidarity action, a few days before Christmas. Over 50 volunteers, along with their children, participated in the “Toy Factory” and, together, assembled over 130 toys that were given away to children throughout the country.

Corporate voluntarism is a true pillar of our organizational culture. This solidarity action serves as an example of how empowering our employees generates a positive impact inside and outside the Bank.

"Unidos para Dar" Program

In line with its fields of action, and with the strong determination of further strengthening its federal nature, the Bank conducted the “Unidos para Dar” program for the tenth consecutive year. This initiative was primarily inspired by Banco Hipotecario’s traditional solidarity spirit; it convenes employees from the head office and the branch network, and helps strengthen the bonds with social organizations of their referential world.

The huge potential of this program empowers employees and provides consistency to social investment in the community. The program also empowers the sustained growth of our institutional presence nationwide, fostering the coverage of our social commitment to reach national scale.

With this program, the Bank seeks to support people living under financially and socially poor conditions. Therefore, upon the start of school, the Bank gave away school supplies and materials to learning institutions and social organizations countrywide. In Easter and Christmas, the Bank donated non-perishable food, and handed out food and shelter before the commencement of the winter season.

By cooperating with NGOs that strive to guarantee decent feeding, health, and housing conditions in several communities of Argentina, we are able to assert that direct aid is definitely one of our fields of actions and that "Unidos para Dar" program is a crucial link to its development.

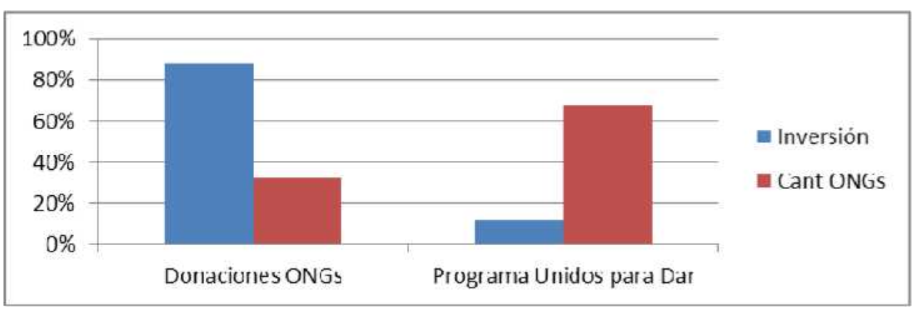
The Christmas edition marked the end of the 2018 program, which convened employees from all branches in the country, with a total annual investment of AR$ 6.4 million.

UNIDOS PARA DAR	START OF SCHOOL	EASTER	WINTER	CHRISTMAS
Participating Branches	53	48	49	57
Beneficiary NGOs	150	127	116	140
Beneficiaries	6,500	68,000	57,360	71,760

Start of School – School Support Casita de los Sueños - Victoria

Easter – Nuestra Señora de Lourdes Church - Concordia

Christmas – Asociación Civil Hogar Familia – Venado Tuerto



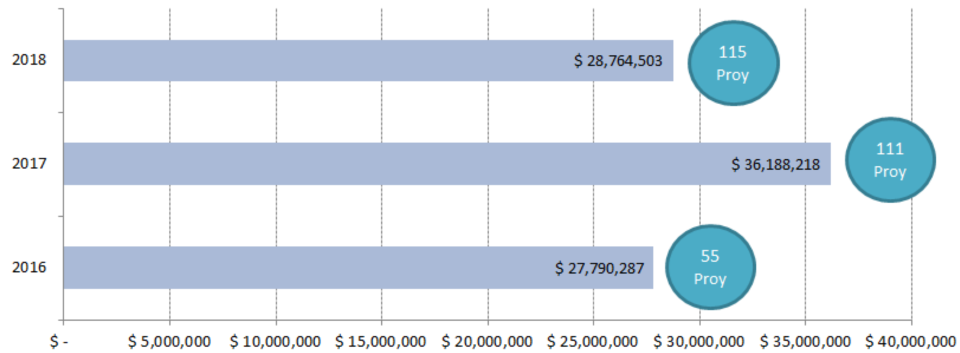
Where "Donaciones ONG" stands for Donations to NGOs; "Programa Unidos para Dar" stands for Unidos para Dar program; "Inversión" stands for Investment and "Cant ONGs" stands for Number of NGOs.

The Bank has a team of 290 active volunteers, 60 of whom put forward solidarity initiatives for the Bank to provide financial support to its sponsored NGOs. The remaining 230 volunteers (that is, 80% of the total) are actively engaged in the "Unidos para Dar" program. The strategic role of this program helps strengthen the Bank's federal nature and has a substantial impact, with a low investment (12% of the annual budget) on the relationship with several social organizations.

Patronage Law

Since 2011, the Bank has been actively championing for the "Law for the Cultural Promotion of the City of Buenos Aires", also known as the Patronage Law. The Patronage Law fosters the approach to several artists and NGOs, endorsing the cultural interest of the projects.

The Bank primarily seeks to support projects submitted by new generations of artists, intended to preserve and enhance the Cultural Heritage.



In 2018 the Bank increased the number of sponsored project vis-a-vis 2017 and, in eight years, gave away over AR$ 110 million.

According to a resolution passed by the Committee of Social and Institutional Affairs, upon the enactment of the implementing regulations to Cultural Engagement Law No. 6,026, which will supersede the Patronage Law, in 2019, the Bank will continue pursuing its role as sponsor, reaffirming its institutional commitment to the cultural heritage.

The Museums' Night

On November 10, 2018, Banco Hipotecario's headquarters opened up its doors for the third consecutive year, from 8 pm to 3 am, during the traditional "Museums' Night", organized by the government of the city of Buenos Aires, having received over 1,000 visitors.

The tour began at the main hall of the Bank's building ground floor and visitors could go up to the second floor through the main stairs. Visitors had access to audio guides and technical talks about architecture, and could have a look at audiovisual spaces, commemorative medals, historical drawings and allegoric objects that give an account of Banco Hipotecario's over 130 years of history. The event was also broadcast in real time through the Bank's Instagram and Facebook accounts.

The Bank's Media department was in charge of the overall organization of the event, with the engagement of several other areas, including technical support, maintenance, advertising, procurement, opinions and contracts, architecture and design, infrastructure and asset management, organizational development, and security.

STRATEGY FOR 2019

With its 132 years of history, Banco Hipotecario is one of the most traditional and strongest institutions of the Argentine financial system. In recent years, the Bank has consolidated its position as a universal bank in order to provide comprehensive credit, savings and investment solutions addressed at families, businesses and public sector entities.

The Bank has historically built long-lasting bonds with individuals, families, social organizations and the national community. Mindful of their varying needs, the Bank has provided resources and tools that foster social development.

In 2019, social investment will account for 3% to 5% of the Bank's profits. In this way, the Bank will continue pursuing a sustainable management approach, strongly aligned with its business strategy.

The Bank will continue strengthening its relationship with the community through its "Unidos para Dar" program, by building stronger bonds among its employees and NGOs of the local community, and expanding the national scope of its several solidarity actions. This program is a key pillar both to our organizational culture and voluntarism growth.

The Bank will give direct support to NGOs committed to the development of education as a core pillar for inclusion. In this regard, relevance will be given to projects aimed at delivering professional training and scholarships for teachers and students. The Bank will also continue working on improving the infrastructure of several local schools.

It will continue supporting NGOs engaged in social inclusion by means of job placement and anti-violence programs, with special focus on aid, training and research activities.

In addition, the Bank will make progress in the deployment of the second stage of the urban soil municipal management ranking, through which TECHO and RIL will plan for a territorial survey and will then release the outcome of this initiative, on the basis of the information gathered. The ultimate goal is encouraging the implementation of improvements and recognizing good practices already in place.

The Bank will also support such social organizations that strive to guarantee decent food, health and housing conditions in several communities of our country, and will provide assistance to events warranting urgent attention from the private sector, due to unexpected nature occurrences.

The Bank's senior management will arrange for new visits to NGOs, in attempt to get to know several social realities. These onsite visits are utterly important for senior management to directly interact with the social organizations' authorities and the beneficiaries of each project.

During the 2019 summer season, VIP (high income) customers and corporate prospects will be invited for the first time to an event known as "Ciclo Verano Planeta" to be held in Mar del Plata and Pinamar, for them to participate in several events, and listen from the most outstanding writers and most read books in 2018 right from the first row. This opportunity to build the relationship with our customers calls for the joint work between Product and Segment development, and the Institutional Relations area, in addition to the branch in charge of each event. The Bank expects to provide an array of unique experiences throughout the year, reinforcing its institutional presence, with the customer always at the core of it.

Like every year, following the publication of this Comprehensive Annual Report, the Bank will publish its Sustainability Report on its website, according to the G4 release of the Global Reporting Initiative (GRI) guidelines.

GRI ENVIRONMENTAL INDICATORS

<table>
<tr><th>Environment - Management Approach</th><th></th><th></th><th></th></tr>
<tr><td>Materials</td><td></td><td></td><td></td></tr>
<tr><td>EN1</td><td>Materials by weight or volume</td><td>During the year, the Bank used 160 tons of paper and 6 tons of plastic to deliver its core products and services.</td><td>Excluding Tarshop SA, BACS, BHN Sociedad de Inversión SA and BH Valores SA</td></tr>
<tr><td>Power</td><td></td><td></td><td></td></tr>
<tr><td>EN3</td><td>Internal Energy Consumption.</td><td>
<table>
<tr><th>Internal Energy Consumption</th><th>Year 2017</th></tr>
<tr><td>A) Renewable fuel consumption</td><td>O GJ</td></tr>
<tr><td>B) Non-renewable fuel consumption</td><td>7066150 GJ</td></tr>
<tr><td>Electric power</td><td>4575571 GJ</td></tr>
<tr><td>Diesel</td><td>297780 GJ</td></tr>
<tr><td>Natural gas</td><td>2190781 GJ</td></tr>
<tr><td>Total energy consumption within the organization</td><td>7066150 GJ</td></tr>
</table>
The Bank achieved a 28% decrease in annual energy consumption compared to the 2017-2018 periods.
- Power consumption declined by 16 % due to the Bank's energy efficiency policies, and the replacement of lighting devices for LED lamps; and to the retirement of the Torre San Martín building in September
- Gas consumption declined by 46% compared to the previous year, due to the replacement of boilers for water heaters at the head office (80% monthly savings at head office); and to the retirement of the Torre San Martín building in September
- Gasoil consumption fell by 22%, due to the low number of external power failures during the year, restricting the use of UPS units to conduct maintenance protocols at the head office only; and to the retirement of the Torre San Martín building in September.</td><td>Excluding Tarshop SA, BACS, BHN Sociedad de Inversión SA and BH Valores SA</td></tr>
<tr><td>Products and Services</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>1) Energy-efficient lighting: The Bank completed the replacement of conventional lighting devices for new technologies (LED lamps), achieving a substantial decrease in consumption, improving lighting quality at workstations, and increasing the useful life of lighting devices tenfold, with the ensuing savings in maintenance costs.
2) Lighting, ventilation and AC system automation setting the equipment to be turned on at peak times and turned off during downtimes. Replacement of boilers with gas-efficient industrial water heaters at head office.</td><td></td></tr>
</table>

EN27	Environmental impact mitigation level of products and services	3) Advice from electricity experts: The Bank sought advice from electricity experts to streamline energy consumption, with the ensuing impact on energy savings and costs. In addition, monthly electrical protocols were implemented at the head office in order to ensure the building's power sustainability, primarily at CPD and Centro Estrella. 5) Energy efficiency campaign through internal communication via e-mail addressed at all Banco Hipotecario's employees. 6) The Bank created green spaces at the head office building's terraces and external decks for employees' recreation purposes. 7) The Bank implemented waste reduction policies, replacing individual waste bins at the head office and Torre San Martín building, with recyclable bins by sectors. Employees were notified of such policies by way of internal communications. 8) The Bank made progress in waste classification and cooperated with the Garraham Hospital to pick up white paper; separating organic waste from inorganic waste in bins specifically suitable to such end. Classification and final disposal of IT waste (batteries, monitors). Waste repository adaptation and improvement at head office.	Excluding Tarshop SA, BACS, BHN Sociedad de Inversión SA and BH Valores SA
Suppliers' environment assessment			
EN32	% of new suppliers that were assessed on the basis of environmental criteria	All of the Bank's suppliers were assessed on the basis of environmental criteria.	Excluding Tarshop SA, BACS, BHN Sociedad de Inversión SA and BH Valores SA

Autonomous City of Buenos Aires, March 6, 2019
Saúl Zang
BOARD OF DIRECTORS

EXHIBIT II - REPORT ON CORPORATE GOVERNANCE CODE.

This report has been prepared following the guidelines set forth to this end by the Argentine Securities Commission in good corporate governance matters according to which managerial teams are to produce information specifically concerning the actions of the Board for the benefit of shareholders as a whole and the market at length.

According to the requirements laid down by the Argentine Securities Commission, for each one of the items described below, we have indicated the degree of compliance as “total compliance”, “partial compliance” or “non-compliance” with the recommendations of the Corporate Governance Code incorporated by the resolution mentioned. When applicable, we have reported or explained the reasons for the degree of compliance.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
PRINCIPLE I. THE RELATIONSHIP AMONGST THE ISSUER, THE CONGLOMERATE THAT IT HEADS AND/OR IS PART OF AND ITS RELATED PARTIES MUST BE TRANSPARENT				
The corporate governance framework must:				
Recommendation I.1: Guarantee that the Board discloses the policies that apply to the relationship amongst the Issuer and the conglomerate that it heads and/or is part of and its related parties.				
The Issuer has internal procedures or policies to authorize transactions with related parties in accordance with Section 72 of Law No. 26,831, Transactions with shareholders and Board members, senior management, and statutory auditors and/or members of the supervisory committee within the purview of the conglomerate that it heads and/or is a part of.	X			Given a juridical act or contract with a related party that involves a relevant amount, the Board satisfies the requirements and follows the procedures prescribed by Section 72 of Law No. 26,831 and reports the transaction in conformity with the provisions of the Public Offering Transparency Regime. Having said this and on account of the Company being regulated by the Financial Institutions Law, the Board applies the provisions under Section 28, Sub-section d) of the above-mentioned law and the regulations issued by the Argentine Central Bank to the relationships amongst the issuer, the conglomerate, shareholders and parties directly and indirectly related to them. Broadly speaking, the issuer is prohibited from engaging in transactions with directors, managers and with entities or persons related to them on a preferred basis and any financial aid conferred to related entities and persons can never exceed the following percentages calculated on the basis of its regulatory capital (*responsabilidad patrimonial computable*): (i) 5% in unsecured transactions and (ii) 10% when transactions that demand certain security interests are computed. Pursuant to the rules of the Argentine Central Bank, the issuer –at the time of filing its financial statements- provides a detail of the companies related to its directors and shareholders. Additionally, the Board of Directors receives every month a report prepared by the highest-ranking management officer with an intervention of the Supervisory Committee that accounts for all the financial aid granted to related entities and persons and has this situation acknowledged at the relevant meeting.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
Recommendation I.2: Make sure that the company has mechanisms in place to prevent conflicts of interest.				
The Issuer has, irrespective of currently applicable rules and regulations, clear and specific policies and procedures to identify, handle and resolve any conflicts of interest arising amongst the members of the Board of Directors, senior management and statutory auditors and/or supervisory committee members in their relationship with the Issuer or with the Issuer's related persons.	X			The Corporate Governance Code (section K.4.) and the Code of Ethics (Section b) lay down the policies concerning conflicts of interest. In its sections dealing with Directors, Managers and the other personnel, the Corporate Governance Code lays down their duties in this respect. In turn, Section P.5. prescribes how to resolve conflicts when they arise amongst group companies. As a highlight of the above-mentioned sections, please find below a detail of the issues that could qualify as conflicts of interest for the offices of Director or Manager and the actions that these officers must implement in those instances: (i) Directors or Management members or their spouses or their relatives by consanguinity or adoption on a straight line or collateral relatives up to the fourth degree inclusive or their next of kin within the second degree or a conglomerate where Directors or Management members hold a significant stake in their own name or through relatives who hold more than 10% of the voting rights and/or ownership interests or when, holding a smaller percentage, they are entitled to elect at least one Board member in that Company, receive inappropriate personal benefits by reason of their services as Company director, (ii) when the requirements imposed by Sections 271, 272 and 273 of the Argentine Companies Law No. 19,550 are fulfilled, (iii) engage in the same line of business as the Company or hold an ownership interest in a company that competes with the Company save for investments of less than 2% of capital stock in listed companies, (iv) take part in processes to place an issuance of securities, in which case they shall only be able to acquire or offer to buy such securities directly or indirectly under the conditions and assumptions fixed by the Argentine Securities Commission to the extent that their involvement in said placement process has not come to an end, (v) deprive the Company, for their benefit or for a third party's benefit, of opportunities to sell or buy assets, products, services or rights, (vi) hold a personal interest in a transaction that involves the Company, a competitor, a client or a supplier, (vii) exert influence on the adoption of decisions or courses of action in order to safeguard or improve any particular investment or financial interest held in a firm to which the Company relates, (viii) exert decisive influence for the Company to hire a firm as supplier, contractor, agent or representative when such firm is owned or run by close relatives or employs close relatives in high-ranking positions or on the board, (ix) provide goods or services to the Company except in the event of the Director forming part of associations of liberal professions that render advisory services to the Company as independent contractors in which case the Director shall refrain from participating in the hiring process and (x) when related to the Company in his/her own name or through a third party, borrows from the Company under preferential terms.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
	X			The Director or member of Management must report to the Ethics Committee and/or to the Board sufficiently in advance on the existence of any situation that could cause him/her any conflict of interest with the Company even if such situation was not included in the preceding non-exhaustive list. The Director or member of Management with interests contrary to the Company shall abstain from participating in discussions concerning the issue or issues involved in the conflict of interest and from voting the relevant resolutions. In order to determine the existence of a conflict of interest when there is suspicion of non-compliance by a Director or member of Management with the standards laid down in this Code, the Board of Directors shall consult the Audit Committee before considering and resolving the issue. The Director or member of Management who does not take any action to prevent conflicts of interest or fails to timely advise the Ethics Committee and/or the Board of Directors of the existence of conflicts of interest that affect or may affect him/her shall incur in misconduct punishable with the penalties that may be imposed by the Company and/or the oversight authorities (Argentine Central Bank, Argentine Securities Commission, Buenos Aires Stock Exchange) by virtue of Section 59 of the Argentine Companies Law No. 19,550, Section 41 of Law No. 21,526 and Section 132 of Law No. 26,831. The provisions under Section 20 of Law No. 26,831 shall also be considered in this regard because they refer to the powers with which the Argentine Securities Commission has been vested when the surveys that it undertakes find that the interests of minority shareholders and/or holders of listed securities have been damaged.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
Recommendation I.3: Prevent the undue use of inside information.				
The Issuer relies, without prejudice to currently applicable rules and regulations, on accessible policies and mechanisms to prevent the undue use of inside information by the Board of Directors, senior management, statutory auditors and/or supervisory committee members, controlling shareholders or shareholders exerting significant influence, participating professionals and the other persons listed in Sections 102 and 117 of Law No. 26,831.	X			As concerns the use of inside information, in conformity with the provisions under Law No. 26,831 and by virtue of the provisions under Section 39 of the Financial Institutions Law, the Bank's Corporate Governance Code (Section K.2.) and its Code of Ethics (Section i and the section on Confidentiality) lay down the policies concerning the use of inside information. In this respect, the directors and members of senior management shall keep in secret the discussions maintained at the meetings of the Board of Directors and the Committees that they attend and shall refrain from disclosing information accessible to them by reason of the performance of their respective duties, irrespective of the relationship they may have with the shareholder that appointed them. In particular, they must keep in confidence any information concerning any fact not publicly disclosed and that, given its importance, may affect the placement or the course of trading in securities authorized for listing or forward contracts, futures and options. This notwithstanding, they will be exempted from their secrecy or confidentiality duties when the laws allow this information to be released or disclosed to third parties or mandate its disclosure in the event of requests from the courts or the oversight authorities and when this is the case, the delivery of information shall abide by these laws.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
PRINCIPLE II. LAY THE GROUNDWORK FOR THE ISSUER TO RELY ON ROBUST MANAGEMENT AND SUPERVISION				
The corporate governance framework must:				
Recommendation II.1: Ensure that the Board of Directors manages and supervises the Issuer and provides it with strategic direction.				
II.1.1: the Board of Directors approves: II.1.1.1: the strategic or business plan, as well as annual management goals and budgets, II.1.1.2: the investment policy (in financial assets and in capital expenditures), and the financing policy, II.1.1.3: the corporate governance policy, II.1.1.4: the policy to select, assess and remunerate senior management,		X		The Board of Directors, either directly or through the Board of Directors' Committees, provides the approvals to the matters listed in Sections II.1.1.1. through II.1.1.9. On the different sections in particular, please be advised that: 1. The Business Plan outlines the strategy and objectives. Financial and economic forecasts are prepared every year in line with the guidelines and macroeconomic scenarios established by the Argentine Central Bank. Given that this information includes details about the business strategy, it is confidentially delivered to the Argentine Central Bank. 2. The Board of Directors defines investment and financing policies through the business plan and the budget. 3. Overall, the corporate governance policy in place at the Bank meets the requirements imposed by its Corporate Governance Code. 4. The Bank enforces its policy to conduct a formal assessment of senior management once a year, simultaneously with the process followed to evaluate all of the Bank's personnel. Based on the outcomes of these actions, the Bank maintains an ongoing feedback policy. It is on this basis that the policy to select and/or renew management positions at the Bank is designed: the policy in place seeks to have one skilled and experienced person for each position ready to step in should a management position be suddenly left vacant.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
II.1.1.5: the policy to assign responsibilities to senior management,				5. The Bank has a manual of missions and functions in place that sets forth, for each management position, the responsibilities, missions and functions of each reportee. Besides, through the periodical reports provided by the Management Planning and Control area, the Board of Directors checks performance at the various divisions, which comprises making sure that the areas meet their goals –deployment of strategies and enforcement of policies- including abiding by the budget and the business plan and looking out for the Company's interests.
II.1.1.6: the supervision of succession planning for senior management,				6. Through its different layers of management, the Bank seeks to deploy its succession planning arrangements by training managers in the development of skills associated to: (i) a strategic outlook, (ii) human capital management, (iii) multiple priorities management, (iv) productivity and output, (v) risk management, (vi) industrial and process outlook, (vii) understanding of the business and its operations, (viii) entrepreneurial spirit and (ix) analytical rigor.
II.1.1.7: the corporate social responsibility policy,		X		7. The Company has defined itself as a socially responsible enterprise and this is for the Bank's Directors and all of its personnel an objective built upon every day. Banco Hipotecario considers that its actions in the field of Corporate Social Responsibility must be dovetailed with its business strategy in the way of a win-win virtuous circle. To this end, the Bank commits to the community through actions and practices that satisfy the needs of the community. Education, social inclusion, the promotion of work and care for the environment are the main axes around which the Bank works aspiring to consolidate these deep and lasting changes to guarantee sustainable human development. The actions implemented as part of the Company's corporate social responsibility endeavors are listed in the Sustainability Report.
II.1.1.8: comprehensive risk management, internal control, and fraud prevention policies,				8. In the sphere of policies to control and manage risks that call for a periodical follow-up of the Bank's internal information and control systems, the Bank satisfies the requirements imposed by the Argentine Central Bank. In this respect, the Board of Directors approves the internal control and risk management standards and procedures –which are updated as needed- and is periodically advised of the follow-up on these procedures by the Audit Committee.
II.1.1.9: the training and continuing education policy applicable to the members of the Board of Directors and senior management				9. The Company regularly arranges for its directors and executives to attend conferences and lectures by economists and specialists on banking issues through the development of in-house and external training programs.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
II.1.2.				The most significant matters have been discussed in Section II.1.1. Therefore, this Section is considered to be Non-Applicable.
II.1.3: The Issuer has in place a policy to ensure the availability of relevant information for its Board of Directors to make decisions and a channel for direct consultation with its management lines that is symmetrical for all its members (executive, external and independent) on an equal footing and sufficiently in advance so as to enable appropriate analysis.	X			Section H.8. of the Bank's Corporate Governance Code, named "Right to be informed" sets forth that for Directors to discharge their duties, they are entitled to be informed of all the matters concerning the Bank's social and corporate operations and risk management, following a request in writing addressed to the Chairman or the Vice Chairman if applicable. Any information gathered by directors may be related, amongst other matters, to: (i) the meetings held by the committees of which they are not members, (ii) the Company's books and other additional documentation concerning the issues discussed or to be considered by the Board of Directors, (iii) the matters covered by the orders of business of the respective meetings, (iv) details about Senior Management's actions and other company officers and (v) the Company's premises, both headquarters' and the branches'. In these cases, the Chairman or the Vice Chairman, as the case may be, shall assess the relevance of the request for information and entrust the General Manager or the applicable officers with the delivery of the information requested within the applicable term. In exercising this right, Directors shall refrain from undertaking actions that may hinder the conduct of the Company's operations because their actions are always collective and never individual, except in the case of the discharge of responsibilities that have been expressly delegated by the Board of Directors.
II.1.4: The matters submitted to consideration by the Board of Directors are accompanied by an analysis of the risks associated to the decisions that may be adopted, taking into account the level of enterprise risk defined as acceptable by the Issuer.	X			In accordance with the Argentine Central Bank's rules applicable to financial institutions, the Board of Directors must lay down an adequate strategy for comprehensive risk management. In this regard, the Bank has been implementing actions to have in place a procedure leading to the continuous improvement of its comprehensive risk management process, i.e., the process to identify, assess, monitor, control and mitigate all the significant aspects of its credit, liquidity, market, interest rate and operational risks and for the manner in which the Bank considers the level of risk assumed by it and its ratio to capital adequacy requirements. In this respect, the Bank has created and appointed a Risk Management Committee formed by Directors and managers who specialize in this matter. It is the Risk Management Committee that prepares the risk analysis presentations which, once thoroughly discussed and dealt with, are submitted to consideration by the Bank's Board of Directors.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
Recommendation II.2: Make sure that the Issuer exerts effective controls over management.				
The Board of Directors verifies: II.2.1: that the annual budget and business plan are complied with, II.2.2: senior management performance and their attainment of the goals set for them (actual versus forecast earnings, financial ratings, financial reporting quality, market share, etc.). Describe the highlights of the Issuer's Management Control policy detailing the techniques employed and the frequency of monitoring by the Board of Directors.	X			The Board of Directors mandates that the reports analyzing compliance with budgeted expenses and any deviations between actual expenses and budgeted expenses (amounts and percentage by different cost center and budgetary item) should be submitted for consideration to the Board itself or to its committees on a quarterly basis. The Bank also controls on a quarterly basis compliance with commercial goals, investment progress and product performance (revenue generation and impact on results) and the Bank determines the degree of attainment of the goals proposed on an annual basis. Besides, a scoreboard known as "5 environments" is periodically prepared analyzing the Bank's situation vis-à-vis its control environments, namely: (i) business, (ii) sustainability, (iii) clients, (iv) personnel and (v) organizational intelligence. The information listed above, plus any benchmarking study, market share estimates, analyses of profitability by business unit, profitability by product and by branch, daily monitoring of loans originated and deposits captured are submitted to senior management from a daily to a monthly basis at the different meetings held by the office of the general manager and the committees entrusted with running the Bank. Additionally, and in line with Communiqué "A" 5203, as amended and/or supplemented, in order to adequately assess future potential scenarios for managing the Bank, stress testing is conducted to primarily analyze the impact of changes in the market's main financial variables on the Entity's results.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
Recommendation II.3: Disclose the process to evaluate Board of Directors performance and its impact.				
II.3.1: Each member of the Board of Directors abides by the Bank's By-laws and, when applicable, by the rules that govern the operation of the Board of Directors. Detail the main guidelines of the internal rules. Indicate the degree of compliance with the Bank's By-laws and its internal rules.	X			Through the Corporate Governance Code in the relevant part that deals with the operation of the Board and of its Committees the mechanisms for these to operate are laid down. First, to be a member of this Bank's Board of Directors, candidates should not be within the disqualifications prescribed by Section 264 of the Argentine Companies Law No. 19,550 and by Section 10 of Law No. 21,526 and must have previous experience in the financial business. In addition, according to Communiqué "A" 5803 issued by the Argentine Central Bank, as amended and supplemented, candidates may not have been prosecuted for money-laundering or terrorist financing crimes; should not be included in the lists of terrorists and terrorist associations issued by the UN Security Council or in the terrorist-financing resolutions released by the FIU. Furthermore, candidates may not have been punished with fines, disqualification, suspension, prohibition or revocation by the Argentine Central Bank, the FIU, the Argentine Securities Commission and/or the Argentine Office of the Superintendent of Insurance. Individuals in management positions or owning direct or indirect interests in companies engaged in gambling are also barred from taking office in the Board of Directors. It is only once the Argentine Central Bank authorizes it that candidates may take office. The Argentine Central Bank examines candidates' legal capacity, suitability, competence, integrity, experience in the financial business and ability for the discharge of directorship duties based on: (i) candidates' past performance in the financial business and/or (ii) the candidate's professional qualities and their track record in the public or private sector in analogous matters or areas that are relevant to the Entity's commercial profile. Additionally, the currently applicable rules of the Argentine Central Bank prescribe that at the time the Board of Directors is formed, at least two thirds of total membership should evidence experience related to the financial business and directors may not take office until so authorized by the Argentine Central Bank, unless the director at issue has been appointed by the Government to serve on the Board on its behalf, circumstance which shall be verified by the supervisory committee.

				Section H.9. of the above-mentioned code prescribes, in particular, that each year there must be a self-assessment process about the role of the Board of Directors as responsible for the corporate governance of the company. The self-assessment is a two-stage process: (1) a general evaluation: which primarily seeks to answer questions about the operation of the Board of Directors, and (2) a specific evaluation: where each Director shares his/her insights on different areas that involve the Board of Directors. Finally, the Board of Directors understands that it adequately complies with the provisions in the Bank's By-laws and its Corporate Governance Code.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
II.3.2: The Board of Directors presents the outcome of its management actions taking into account the targets fixed at the beginning of the period in a manner such that shareholders are able to evaluate the degree of compliance with such objectives, which contain both financial and non-financial aspects. In addition, the Board of Directors presents a diagnosis about the degree of compliance with the policies mentioned in Recommendation II, paragraphs II.1.1. and II.1.2. Detail the highlights of the evaluation made by the Annual General Meeting about the degree of compliance by the Board of Directors with the goals established and the		X		The Bank's Board of Directors presents the results of its management actions to the Bank's shareholders upon submitting to their consideration the annual report and the financial statements abiding by the principle that information should be transparent, fluid and comprehensive. The minimum requirements to be satisfied by these documents are listed in the Corporate Governance Code, Sections L.1. and L.2. According to the policy that governs interaction with shareholders, directors and managers must discharge their duties in a manner such as to observe the standard of loyalty and diligence of a good businessman, which means that they must protect the interests of shareholders and see to their receiving an adequate return on their investment. The Capital Markets Department is the area primarily responsible for dealing with and responding to the enquiries and concerns posed by the shareholders and investors in publicly offered debt securities, except if such enquiries call for disclosing the strategy or the plans of the Company for the future. Additionally, the shareholders may request in writing and prior to the Shareholders' meeting within the terms prescribed by the Law or verbally in the course of the shareholders' meeting, any reports or clarification that they see fit about the matters covered by the agenda for the meeting. These requests may not involve matters concerning trade secrets or information considered strategic for the Bank's performance. The shareholders representative of no less than 2% of capital stock may, at any time, request from the Company's Statutory Auditors information about the matters within their purview and the statutory auditors are under a duty to provide such information (Section 294, Sub-section 6 of Law No. 19,550). It is the Board of Directors' understanding that the information submitted to Shareholders in the Annual Report and Financial Statements adequately complies with currently applicable statutory provisions and therefore, the Board does not submit to the Shareholders' meeting a detailed diagnosis of the degree of compliance with the policies indicated in Sections II.1.1. and II.1.2. to avoid

policies mentioned in Recommendation II, Sections II.1.1 and II.1.2, with an indication of the date of the AGM where such evaluation was presented.				disclosure of matters related to trade secrets or information that is strategic to the Bank's performance.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
Recommendation II.4: The number of external and independent directors must be a significant proportion of the Issuer's Board of Directors membership.				
II.4.1: The proportion of executive members, external and independent of the Board of Directors is in keeping with the capital structure of the Issuer.	X			The Corporate Governance Code deems it advisable to appoint some independent directors and to have them take part in certain committees of the Board of Directors. Section H.3 of the above-mentioned code sets forth the requirements that must be met by a Director for him/her to be considered independent from the Bank. At present, out of total Board membership, the Bank has six (6) independent directors. Besides, as explained under Recommendation II.3 and in view of the rules issued by the Argentine Central Bank, priority is to be given to the coverage of at least two thirds of said total directorship with Directors who have previous experience in financial activities. It is only once they have been authorized by the Argentine Central Bank that candidates may take office as directors, except for the directors chosen by the Government and authorized to serve on the Board "on behalf of the Government," which shall be notified by the Bank's Chairman.
II.4.2: In the current year, the shareholders agreed at a General Shareholders' Meeting on a policy aimed at maintaining a proportion of at least 20% of independent members over the total number of Board members. Describe the highlights of this policy and of any shareholder agreement that explains the manner in which the members of the Board of Directors are appointed and their terms in office.		X		The shareholders have not formally established a policy on the minimum percentage of independent directors that must form the Bank's Board. Besides, the Board cannot assure equal treatment in the dissemination of independence qualities in each nomination because the Bank's directorship includes directors elected by the public sector as well as the private sector, and in this latter case, subject to approval by the Argentine Central Bank. Upon nominating directors, shareholders seek to maintain an adequate proportion between independent and non-independent directors. Proof of this is that over a total of 13 Board members, at present there are 6 independent directors who stand for 46% of total board composition. Lastly, the capital structure and representation of shareholders at the Board of Directors abides by the provisions in Law No. 24,855 for the Privatization of Banco Hipotecario.

<table>
<tr><th rowspan="2"></th><th colspan="2">COMPLIANCE</th><th rowspan="2">NON-COMPLIANCE</th><th rowspan="2">REPORT OR EXPLANATION</th></tr>
<tr><th>TOTAL</th><th>PARTIAL</th></tr>
<tr><td>Indicate if questions have been raised about the independence of Board members and if there have been abstentions caused by conflicts of interest.</td><td></td><td>X</td><td></td><td>There have been no questions raised throughout the year against the directors' independence status.

It should be noted that directors acting on behalf of the Government always maintain the status of independent directors pursuant to Article 13, Section III, Chapter III of the Issuers' Handbook.</td></tr>
<tr><td colspan="5">Recommendation II.5: Commit to the implementation of standards and procedures inherent in the selection and nomination of Board and senior management members at the Issuer.</td></tr>
<tr><td>II.5.1: The Issuer has a Nominations Committee.</td><td></td><td></td><td>X</td><td>The Bank does not have a Nominations Committee, because the Company's Board of Directors establishes, in accordance with the Law for the Privatization of BHN (Law No. 24,855) and the Bank's By-laws, that the election of its members is conducted by special shareholders' meetings held by each class of shares and it is therefore impracticable to establish a Nominations Committee with the characteristics and the functions set forth in the Recommendation under General Resolution 622 of the Argentine Securities Commission.</td></tr>
<tr><td>II.5.1.1 through II.5.3.</td><td></td><td></td><td></td><td>Considering what has been discussed in Section II.5.1 these sections are considered as "Not Applicable".</td></tr>
<tr><td colspan="5">Recommendation II.6: Assess the advisability of Board members and/or statutory auditors and/or supervisory committee members discharging functions at several Issuers.</td></tr>
<tr><td>The Issuer imposes a limit on the ability of the members of the Board of Directors and/or statutory auditors and/or members of the supervisory committee to discharge functions at other entities that do not belong to the conglomerate that the Company heads or of</td><td>X</td><td></td><td></td><td>As concerns the "non-compete obligation", neither directors nor managers may be shareholders or directors or render professional services or be at the service of entities alien to Banco Hipotecario and its subsidiaries and whose corporate purpose is analogous or supplementary to Banco Hipotecario's or its subsidiaries'. Nor are they allowed to undertake in their names or in the name of third parties the same or analogous types of businesses.

In this matter, the directors and managers are required to report that they discharge functions at other companies through a statement in writing in due time or when circumstances so warrant. This prohibition shall not apply to the directors and members of senior management who have communicated to the Ethics Committee that they render services in other companies before taking office and the Ethics</td></tr>
</table>

which it is a part. Specify any such limit and detail if there has been a breach of said limit in the course of the year.				Committee has not repudiated this nomination within a term of 30 running days. Nor shall this prohibition apply when the Director or Manager in office has reported his/her upcoming designation in other companies or at the time of starting to conduct competing businesses and neither the Ethics committee nor the Board of Directors have raised an express objection.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
	X			There are no limits restricting statutory auditors from rendering services at companies outside the conglomerate on account of the statutory auditor function being discharged by independent university professionals licensed to that end and under a confidentiality duty in the exercise of their professional work.
Recommendation II.7: Make sure that Board and Senior management members at the Issuer are trained and develop their skills.				
II.7.1: The Issuer has Continuing Training Programs in connection with the Issuer's needs for the members of the Board of Directors and senior management that include topics concerning their roles and responsibilities, comprehensive enterprise risk management, knowledge specific to the business and its regulations, corporate governance dynamics and corporate social responsibility.		X		The Organizational Development and Quality Assurance area makes available to the Directors and the Managers a training program in order to maintain and refresh their knowledge and skills and improve their efficiency in overall management and leadership.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
In the case of the Audit Committee members, international accounting standards, auditing standards and internal controls and specific regulations in the capital markets. Describe the programs implemented in the year and their degree of compliance.		X		Additionally, the Bank arranges for its directors and executives to attend seminars, conferences and in-house and external training sessions, plus lectures given by economists and experts in the financial industry which may deal with matters such as international accounting standards, audit standards, internal control standards and rules specific to capital markets. Besides, when it comes to training for Directors, the Corporate Governance Committee has approved a list of topics to design a program for the period in question targeted at both Board members and at Senior management, at those responsible for bank areas or at those who, given their activities, are somehow related to the issues to be discussed. The Bank has been fulfilling the training requirements for Directors.
II.7.2 The Issuer provides incentives, through other means not mentioned in II.7.1 to the members of the Board and senior management to maintain permanent training that supplements their qualifications in order to add value to the Issuer. State how that is done.	X			In addition to the matters mentioned in II.7.1 that are institutionally organized, Banco Hipotecario has a policy in place to accept and provide incentives for their members – at all levels- to propose through the Department of Development and Quality, any training sessions that they wish to take. The Department of Development and Quality assesses the feasibility of training based on the Bank's interests.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
PRINCIPLE III. ENDORSE AN EFFECTIVE POLICY FOR IDENTIFYING, MEASURING, MANAGING AND DISCLOSING ENTERPRISE RISK				
In the framework for corporate governance:				
Recommendation III: The Board of Directors must rely on a policy for comprehensive enterprise risk management and monitor its adequate implementation.				
III.1: The Issuer has in place comprehensive enterprise risk management policies (mandating compliance with strategic, operational, financial, reporting, legal and regulatory objectives, among others).	X			The Corporate Governance Code in its Sections H.7.b. and J.2.a. points out that the responsibilities of Directors, the General Manager and Senior Management include managing the different risks in the banking industry in which Banco Hipotecario operates. Additionally, the policy concerning risk management defines "comprehensive risk management" as a process followed by the Board of Directors, Senior Management and all of the Entity's personnel and applied in deploying the strategy necessary to identify potential incidents capable of affecting the Entity and in managing those risks in accordance with the level of tolerance established in a manner such as to provide reasonable security when it comes to the attainment of the Organization's objectives. This policy equally lays down the comprehensive risk management framework that includes the design of policies, organizational structures and procedures that are specific (and include the application of controls testing, stress testing, risk tolerance indicators, risk maps, product schedule, etc.) concerning each identified individual risk. Besides, the Bank has risk management strategies approved by the Board of Directors that include the definition of limits or levels of tolerance for each one of the main risks to which the Entity is exposed. These limits are reviewed at least once a year as a part of the process to prepare the Business Plan which must be submitted for approval to the Entity's Board of Directors.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
III.2: There is a Risk Management Committee as part of the Board of Directors or of the office of the General Manager. Report on the existence of manuals of procedures and detail the main risk factors that are specific to the Issuer or its business and the implemented mitigation actions. If there is no Risk Management Committee, describe the supervisory function performed by the Audit Committee concerning risk management. In addition, specify the degree of interaction between the Board of Directors or of its committees with the Issuer's General Manager in terms of comprehensive enterprise risk management.	X			By reason of the issuance by the Argentine Central Bank of Communiqué "A" 5203, as amended, the Bank created a Risk Management Committee which in tandem with the Finance Committee manages the Bank's risks. The Bank's main risks include, but are not limited to, the following: (i) credit, (ii) liquidity, (iii) market, (iv) interest rate and (v) operational. It is through these committees that the Board of Directors takes part in managing these risks. The main duties of the Risk Management Committee and of the Finance Committee are as described below: Risk Management Committee: The Risk Management Committee shall be made up by no less than 3 directors. The Risk Management Committee shall be primarily entrusted with the duty to supervise the risks to which the Entity is exposed and its responsibilities include, but are not limited to, monitoring risk management in terms of credit, market, liquidity, interest rate and operational risks, and helping the Board of Directors to lay down risk policies and strategies. Besides, it invites the Supervisory Committee to participate. Finance Committee: The Finance Committee shall be made up by no less than 3 directors. The Finance Committee shall be entrusted with the following responsibilities, among others: to control the Entity's liquidity and solvency, to define the levels of tolerance to liquidity risk, to define the limits and/or zones for early alerts in the case of financial risks and to fix, assess and control financial risks in the various investment portfolios. Please note that the Bank has a Comprehensive Risk Management policy that sets out the basic guidelines that must be followed to ensure adequate management of all the significant risks that may have a bearing on the attainment of the Bank's strategic goals and the handling of risks in accordance with the pre-established tolerance threshold in a manner such as to provide reasonable assurance concerning the attainment of the organization's objectives. Upon providing a comprehensive definition for this set of rules, consideration has been given to the orientation entitled "Risk Management Guidelines for Financial Institutions" released by the Argentine Central Bank in the above-mentioned communiqué.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
III.3: There is an independent function within the office of the Issuer's General Manager that implements the comprehensive risk management policies (function discharged by the Risk Management Officer or equivalent position).	X			The independent area within the Issuer's office of the General Manager that implements the comprehensive risk management policies is the Area Department in charge of Risk, which has managerial units that specialize in managing each one of the main risks defined according to the following detail: (i) Retail Credit Risk: Area Department in charge of Retail Banking Risk, (ii) Wholesale Credit Risk: Risk Department in charge of Corporate Banking Credit Risk, (iii) Market Risks (price, exchange rate and interest rate): Area Department in charge of Market Risk and (iv) Operational Risk: Department in charge of Operational Risk.
III.4: The comprehensive risk management policies are permanently updated in line with the generally accepted recommendations and methodologies in the matter. Identify them.	X			The comprehensive risk management policies are updated to the extent needed on the basis of the definitions provided by COSO (Committee of Sponsoring Organizations of the Treadway Commission)'s conceptual framework. Given that Banco Hipotecario is a financial institution regulated by the Argentine Central Bank, the Bank abides by the practices indicated by the Argentine Central Bank and by some of the international best practices defined by the Basel Committee.
III.5: The Board of Directors communicates the outcomes of its supervisory tasks concerning risk management performed together with the General Manager in the financial statements and in the annual report. Specify the main sections dealing with these matters.	X			In its Annual Report, the Bank reports on these outcomes under the heading "Risk Management" and in the Notes to its Financial Statements, the Bank provides a description of its comprehensive enterprise risk management policy. Furthermore, in compliance with Market Discipline Regulations, the Bank quarterly reports on its web site its risk exposure and assessment, regulatory capital, leverage ratio, and liquidity coverage ratio.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
PRINCIPLE IV. SAFEGUARD THE INTEGRITY OF FINANCIAL REPORTING RESORTING TO INDEPENDENT AUDITS				
The corporate governance framework must:				
Recommendation IV: Guarantee independence and transparency in the functions entrusted to the Audit Committee and to the External Auditor.				
IV.1: Upon electing the members of the Audit Committee, the Board of Directors takes into account that most of its members must be independent and so evaluates the advisability of it being chaired by an independent member.	X			The internal rules that govern the operation of the Audit Committee provide that the Committee must be chaired by an independent director.
IV.2: There is an internal audit function that reports to the Audit Committee or to the Chairman of the Board of Directors in charge of evaluating the internal control system. Please indicate if the Audit Committee or the Board of Directors conduct an annual assessment of the area's performance and the degree of independence of its professional involvement,	X			Section N.4. of the Corporate Governance Code sets forth that the Group's highest ranking Internal Auditor must report functionally to the Board of Directors and when such position is not occupied by a Director, the function must be discharged by employees of the Company that are independent from the remaining areas of the Company's organizational structure and conduct their work objectively and impartially in making the judgments required by their plans and reports in order to foster adequate independent criterion. Auditor objectivity consists in a professional involvement based on the reality of the facts and the circumstances surrounding such facts (acts, situations, evidence, unrestricted access to areas and information) that allow the auditor to maintain his/her judgments and opinions on solid bases without distortions caused by subordination to particular conditions. It is indispensable for auditors to maintain and show an objective and independent attitude to his/her auditees and that auditors be considered in this exact same way by third parties. Internal Auditors' independent criteria must be a mindset characterized by the existence of a high ethical sense outwardly expressed in respect for the expression of truth and awareness of the responsibility owed to the community inherent in corporate control tasks.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
which means that the professionals discharging such function are independent from the remaining operational areas and that they meet the requirements of independence vis-à-vis the controlling shareholders or the related entities that wield significant influence on the Issuer. Specify, also, whether the internal audit function conducts its work in accordance with the international standards that govern internal audit practitioners as issued by the Institute of Internal Auditors (IIA).	X			Auditors must consider whether there is interference or impediments, internal or external, that affect their attitudes and beliefs and prevent them from rendering their services objectively and impartially. In the discharge of their duties, they must not give rise to objections against their independence. Additionally, Internal Auditors must not be within the prohibitions and incompatibilities prescribed by Section 264 of the Argentine Companies Law No. 19,550 and Section 10 of Law No. 21,526. Besides, Internal Auditors must have previous and proven experience in the matter. For as long as the Argentine government holds a majority stake in capital stock, the person in charge of the Internal Audit must meet the requirements imposed by Executive Order 971/1993, and Resolution 17/2006 of the General Office of the Comptroller (SIGEN). Besides, the audit function must be discharged within the framework of the rules issued by the Argentine Central Bank which follow the guidelines set out by international best practices, above all, the conceptual framework laid down by the COSO—Committee of Sponsoring Organizations of the Treadway Commission—. The Manual of Internal Audit Operating Procedures was designed on the basis of the internal audit professional practices issued by the Institute of Internal Auditors. As concerns the assessment of audit tasks, the Auditors Supervision Team put together by the Argentine Central Bank performs an annual assessment of the actions undertaken by the Audit Committee and the Internal Auditor. Once the team's review has concluded, a report is prepared and after addressing Management's responses, a final report is issued where the team renders its opinion. Lastly, this year the Internal Audit obtained the IRAM certification under Reference No. 13 and the SIGEN certification.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
IV.3: The members of the Audit Committee undertake an annual assessment of the suitability, independence and performance exhibited by the External Auditors designated by the Shareholders' Meeting. Describe all relevant aspects in the procedures followed in making such evaluation.	X			The Audit Committee submits to the Bank's Board of Directors an annual report that includes the evaluation of the skills, independence and performance of the External Auditors. The evaluation includes the following aspects: (i) A history of the audit firm, (ii) Qualifications and experience of the main members of the work team, (iii) An outline of the methodology used in the engagement, (iv) The audit firm's independence policies and emphasis on independence policy enforcement and (v) Sworn Statements requested by Sections 104 and concurrent statutory provisions of Law No. 26,831.
IV.4: The Issuer relies on a policy concerning the rotation of the Supervisory Committee members and/or the External Auditor. As concerns External Auditors, the policy addresses whether the rotation spans the audit firm or just the individuals.	X			As concerns the rotation of: (i) Supervisory Committee members, the Issuer abides by Section 23 of Law No. 24,855, Section 20 of its By-Laws and Section N.2.a of its Corporate Governance Code, which prescribe that although statutory auditors shall be elected for two-year terms, they will remain in office until a replacement is designated and they can be indefinitely re-elected; and (ii) the professional who will sign the Bank's financial statements as External Auditor may perform such duties for a term not to exceed five subsequent fiscal years, according to the Argentine Central Bank's regulations (Communication "A" 5042).

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
PRINCIPLE V. RESPECT SHAREHOLDERS' RIGHTS				
The corporate governance framework must:				
Recommendation V.1: Make sure that shareholders have access to the Issuer's information.				
V.1.1: The Board of Directors fosters periodical informational meetings with shareholders, which coincide with the submission of interim financial statements. Explain further, providing the quantity and frequency of the meetings held in the course of the year.	X			Through its Capital Markets department, the Company answers the queries and concerns posed by shareholders, except for those that can have an impact on its strategy or plans for the future. Any matters subject to banking secrecy, trade secrets and topics associated to the network commercial operations shall be excluded from these queries. As it concerns market discipline, the Argentine Central Bank has issued Communiqué "A" 5394, as amended and supplemented. Besides, when the Board of Directors saw that it was in the best interests of the Company, it fostered informational meetings with the main shareholders, a criterion that it will continue to uphold when faced with these types of situations and in turn the shareholders who represent no less than 2% of capital stock may, at any time, request the Company's statutory auditors to provide them with information on the matters that are within the purview of the statutory auditors who are under a duty to supply said information (Section 294 sub-section 6 of Law No.19,550).
V.1.2: The Issuer relies on "information for investors" mechanisms and on an area that specializes in addressing investors' concerns. In addition, the Issuer has a web-site accessible to shareholders and other investors serving as an access channel for them to contact each other.	X			As indicated in Recommendation V.1.1., the Capital Markets Department is in charge of addressing investors' concerns. Additionally, the Bank has its own web-site, available to the public at large (www.hipotecario.com.ar) that provides institutional information that is updated, easy to access, adequate and differentiated and that deals with the Bank's operations. The web site also has an e-mail service for users to post their concerns.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
Recommendation V.2: Promote shareholders' active involvement.				
V.2.1: The Board of Directors has measures in place to foster the involvement of all shareholders at the AGMs. Explain further, distinguishing the measures required by statutory provisions from those voluntarily offered by the Issuer to its shareholders.			X	The Board of Directors complies with the dissemination of calls to meetings and makes available to shareholders the information required for meeting attendance. The turnout percentages posted in the most recent ordinary shareholders' meetings was in the region of 95% of all outstanding shares, undoubtedly, a satisfactory response to the calls to meetings. Therefore, it is not deemed advisable to adopt measures in order to boost minority shareholder attendance at shareholders' meetings.
V.2.2: The Annual General Meeting has a set of rules for its operation to make sure that the information will be available to the shareholders sufficiently in advance for decision-making purposes.		X		Given the majority ownership interest held by the Argentine government in its capital stock, the Bank falls within the scope of Executive Order 1278/2012 and Resolution191-E/2017 handed down by the Ministry of Finance, which set forth the methodology to make sure that the information to be considered should be made immediately available to the Secretariat of Financial Services within the purview of the Ministry of Finance by the Company's governance bodies (Shareholders' Meetings, Board of Directors, Executive Committee and Audit Committee). It prescribes, in particular, that sufficient notice must be given of the Shareholders' Meetings convened to designate the directors and the members of the Supervisory Committee to be able to discuss all relevant nominations. Besides, and notwithstanding what has been previously discussed, the Corporate Governance Code in Section M.1.b. "Equal Treatment" lays down that this is the equal and/or transparent treatment concerning information for its shareholders and that in this respect shareholders are entitled to receive from the Bank's directors and other managers equal treatment respectful of the rights to information and calls to meetings prescribed by the Law. In addition, when the Bank considers that the response given to a shareholders' concern may give the shareholder an undue privilege, the Bank must immediately disseminate said response to the other shareholders resorting to the mechanisms established by the Bank's managers in that respect.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
V.2.3: The Issuer has mechanisms in place for minority shareholders to propose matters for consideration by the Annual Shareholders' General Meeting in line with the provisions in currently applicable rules and regulations.			X	The Bank does not have mechanisms in place for minority shareholders to propose matters for consideration by the Annual Shareholders' General Meeting: this notwithstanding, the Corporate Governance Code in its Section M.1.a. and in accordance with the provisions under Section 294 Sub-section 6 of the Argentine Companies Law No. 19,550 sets forth that the shareholders who represent no less than 2% of capital stock may at any time request information on the matters within their purview from the Company's statutory auditors and statutory auditors are under a duty to provide such information.
V.2.4: The Issuer relies on policies to stimulate the involvement of the most relevant shareholders such as institutional investors.			X	With the enactment of Law No. 26,425 back in the year 2008, the pension regime based on capitalization (Law No. 24,241) was eliminated and the pension funds managed under the capitalization regime were taken over by the State-run pay-as-you-go regime. Since then, holdings of class "D" shares in the Bank in the hands of these pension funds –institutional investors- and the rights attached to said shares have become an integral part of the Argentine Integrated Social Security System run by ANSES (Argentina's Social Security Authority). Therefore, the Board of Directors estimates that there is no need for implementing a formal policy to stimulate the involvement of the most relevant shareholders.

	COMPLIANCE TOTAL	COMPLIANCE PARTIAL	NON-COMPLIANCE	REPORT OR EXPLANATION
V.2.5: At the Shareholders' Meetings in which the nominations to the Board of Directors are discussed, (i) the position of each one of the candidates is made known as to whether or not to adopt a Corporate Governance Code; and (ii) the foundations for such position are also made known previous to the vote.			X	Shareholders' Meeting prioritize the composition of Board of Directors that takes into account the considerations under Section 21 of Law No. 24,855 and the Bank's By-laws in so far as the nominees are going to be designated by the shareholders' meetings held by classes of shares -class A elects 2 Regular Directors, class B elects 1 Regular Director in so far as class B shares are representative of more than 2% of the capital stock issued at the time of the call to the respective shareholders' meeting, class C elects 1 Regular Director in so far as class C shares are representative of more than 3% of the capital stock issued at the time of the call to the respective shareholders' meeting and the election of the rest of the Regular Directors (which under no circumstances shall be less than 9 regular directors and an equal or smaller number of alternate directors) is in the hands of class D shares and subject to the fact that the nominee must not be within the disqualifications prescribed by Section 264 of the Argentine Companies Law No. 19,550 and Section 10 of Law No. 21,526 and must have previous experience in financial activities and that it is only when the Argentine Central Bank has approved it that the nominee may take office. Therefore, in compliance with the mechanism set forth by applicable laws which provides that Class Directors will be appointed at the shareholders' meetings held for each class, where nominations are submitted to consideration by the Shareholders' Meetings, no disclosures are made as to the position of each one of the nominees concerning the adoption or not of the Corporate Governance Code. This notwithstanding and as set forth in the Corporate Governance Code, the Director nominated by each share class must formally acknowledge the acceptance of the office as well as a statement concerning his/her independence or not in the terms prescribed in the Code under the heading "Requirements to be satisfied by Independent Directors".
Recommendation V.3: Guarantee the principle of equality between shares and votes.				
The Issuer relies on a policy that promotes the principle of equality between shares and votes.			X	Law No. 24,855 and Executive Order 924/1997 set forth that the Bank's capital stock amounts to AR$1,500,000,000, which has been fully subscribed and paid in. According to the Ordinary and Extraordinary General Shareholders' Meeting No. 64 dated July 21, 2006, said capital stock is represented by 1,500,000,000 book-entry, ordinary shares divided into Class "A", "B", "C" and "D" with par value AR$ 1 per share and one vote per share, except for class "D" shares which confer right to 3 votes in so far as class "A" shares (belonging to the Argentine government) represent more than 42% of capital stock.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
State the changes in the structure of the outstanding shares by class in the past three years.			X	Additionally, pursuant to the Bank's By-laws, class "A" shares confer certain special rights and the favorable vote of this class, irrespective of the percentage of capital stock that they represent, is required for the Company to adopt valid resolutions concerning: (i) its merger with one or more companies or its spin-off, (ii) any acquisition by third parties of the company's shares that configures a consented or hostile takeover that meets the requirements to be deemed as a control situation under Section 33 of the Argentine Companies Law No. 19,550 and/or the rules of the Argentine Central Bank and/or Sub-section c) of Section 7 of the Bank's by-laws, (iii) transfers to third parties of a substantial portion of mortgage assets and the portfolio of home mortgage loans in a manner such that this should determine the total cessation or a substantial reduction in mortgage lending activities and the home mortgages for the Company, (iv) changes in the Company's corporate purpose, (v) relocation of the registered office to another country and (vi) the voluntary dissolution of the Company. The Bank's capital stock as from the enactment of Law No. 24,855 and Executive Order 924/1997 is the same. This notwithstanding, the quantity of shares that make up each class of shares has sustained changes over the last years due to the implementation of the Employee Stock Ownership Plan (Class B shares) pursuant to Executive Order 2127/2012 and Resolution 264/2013 handed down by the Ministry of Economy and Public Finances whereby an initial stage consisted in the conversion of 17,990,721 Class B shares –over a total of 75,000,000- into Class A shares for allocation to the employees who left the Bank in accordance with the implementation guidelines. The remaining Class B shares may be allocated to the Bank's current employees. As soon as they are delivered to former employees, the 17,990,721 shares will become Class D shares. At year-end, the above situation was verified with 10,445,883 shares. Therefore, at the end of the fiscal year, the share structure is as follows:

Class	Shares	Par value	Capital stock	Percentage ownership
A	664,555,037	1	664,555,0377	44.30%
B	57,009,279	1	57,009,279	3.80%
C	75,000,000	1	75,000,000	5.00%
D	703,435,684	1	703,435,684	46.90%
	1,500,000,000		1,500,000,000	100.00%

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
Recommendation V.4: Establish mechanisms to safeguard all the shareholders in the event of takeovers.				
The Issuer adheres to the mandatory public tender offer regime. Otherwise, explain further if there are other alternative mechanisms set forth in the by-laws, as would be the case of tag-along or other rights.			X	Regardless of the provisions of Law No. 26,831, Title II, according to Banco Hipotecario's By-laws, takeovers should be made by way of a mandatory public tender. In this respect, it has been set forth that all acquisitions which, in addition to previous shareholdings, represent 30% or more than the capital stock, amount to a takeover that compel bidders to make a public tender offer for all the shares of all the classes in accordance with the procedure prescribed by the by-laws. The Board of Directors must call a Special, Class "A" Shareholders' Meeting to discuss whether the tender offer is in the general best interest, and if rejected, the tender offer may not proceed. In the event of a favorable resolution, the tender offer shall be mailed to each shareholder and broadly disseminated.
Recommendation V.5: Increase the percentage of outstanding shares over capital stock.				
The Issuer relies on shareholder dispersion for at least 20% for its ordinary shares. Otherwise, the Issuer relies on a policy to increase shareholder dispersion through the market. Indicate the percentage of shareholder dispersion as a percentage of the Issuer's capital stock and the changes in such percentage over the last three years.		X		Banco Hipotecario's majority shareholder is the Argentine Government with approximately 64% of voting rights over the 1,500,000,000 ordinary shares that make up the Entity's capital stock. Such percentage is comprised by holdings of Class A, B and C shares and only the 11% of the holdings of Class D shares over the remaining 46.86%. Besides, the Entity does not have a policy to increase shareholder dispersion through the market. Neither does it have a policy to increase the percentage of outstanding shares over capital stock inasmuch as the percentage was established by Executive Order 1394/1998. Notwithstanding the Employee Stock Ownership Plan referred to in V.3. above, pursuant to which Class D shares are being awarded to employees, contributing to shareholder dispersion.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
Recommendation V.6: Make sure that there is a transparent dividend policy in place.				
V.6.1: The Issuer relies on a dividend distribution policy set forth in the Bank's By-laws and approved by the Shareholders' Meeting setting out the conditions for distributing dividends in cash or in shares. If such policy existed, state the criteria, frequency and conditions that must be satisfied for the payment of dividends	X			It is the Bank's Corporate Governance Code (Section M.1.c), not its By-laws, that contains its dividend distribution policy. It must be underscored that the Board of Directors understands that the distribution of dividends to shareholders is a factor that encourages shareholders to assess the suitability of maintaining their investments in the Bank's shares and for shares to appreciate in market value in order to improve the relationship between market value and book value. Therefore, the Entity has in place a policy to pay dividends to shareholders in cash when the volume of earnings so permit and the conditions required by the Argentine Central Bank to that end are met (See the Annual Report's Section 4.2 Dividend Policy as proposed or recommended by the Board of Directors). If this is the case, an approval is required from the Office of the Superintendent of Financial and Foreign Exchange Institutions for the distribution of dividends in cash previous to submitting the proposal to distribute earnings to consideration by the Shareholders' Meeting.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
V.6.2: The Issuer relies on documented process to prepare the proposal to allocate the Issuer's retained earnings in order to raise reserves –be them statutory, voluntary and contemplated by the by-laws-, transfer earnings to future fiscal years and/or pay dividends. Explain these processes further and identify the minutes of the Annual Shareholders' General Meeting that approves the distribution (in cash or in shares) or not of dividends, if this is not contemplated in the Bank's By-laws.	X			The Bank has in place processes to determine (i) retained earnings, (ii) the establishment of reserves –be them statutory, voluntary or contemplated by the by-laws- and/or (iii) the payment of dividends. These processes are adopted pursuant to the rules issued by the Argentine Central Bank that provide for the mechanisms to determine retained earnings, the establishment of reserves –be them statutory, voluntary or contemplated by the by-laws- and/or the payment of dividends. The rules as issued are mentioned in: (i) the CONAU Circular Letter and (ii) the Chart of Accounts and the Accounts Manual. For instance, and in connection with: (1). The statutory reserve: this fund must be made up by allocating 20% of the earnings posted in the Statement of income at the end of the fiscal year, plus (or minus) the adjustments to prior years recorded in the period less the accumulated deficit at the end of the previous fiscal year, if any. This proportion must be applied without prejudice to the ratio of the Entity's statutory reserve to its capital stock. Besides, when the statutory reserve is used to absorb losses, no earnings may be distributed up and until such reserve is replenished. If the balance previous to the absorption exceeded 20% of capital stock plus the capital adjustment, earnings may be distributed once this latter value has been reached. (2) The conditions to distribute dividends include: (1) the Office of the Superintendent of Financial and Foreign Exchange Institutions' express authorization of the amount proposed for distribution, (2) the earnings to be distributed must have arisen from off-balance sheet adjustments on net income reflecting the differences between the book value and the market value of public debt instruments and/or monetary regulation instruments issued by the Argentine Central Bank not carried at market prices and (3) the amount for distribution should not compromise the Bank's liquidity and solvency; to these ends, the Argentine Central Bank shall not admit distribution of earnings when the Bank: (3.a) is subject to the provisions of Section 34 "Normalization and Turnaround" and Section 35 bis "Restructuring an entity to safeguard credit and bank deposits" of the Financial Institutions Law; (3.b) there are records of financial aid lent by the Argentine Central Bank on grounds of illiquidity in the framework of Section 17 of the Argentine Central Bank's Charter; (3.c) incurs in delays or fails to comply with the reporting requirements set forth by this Institution; (3.d) fails to pay the minimum capital or cash requirements, on an individual or a consolidated basis. Entities which do not fall within the above-described assumptions may distribute profits for up to the positive amount resulting from an off-balance-sheet calculation that consists of adding the balances as of year-end charged to retained earnings and the balance of the optional reserve for future distribution of profits, minus the balance of the legal reserve and other required statutory reserves, net of the following items: (1) the entire debit balance of items

				accounted for under “Other accumulated comprehensive income,” (2) the gain (loss) from the revaluation of property, plant and equipment, intangible assets and investment properties; (3) the net positive difference between the measurement at amortized cost and the fair market value recorded by the entity in respect of public debt instruments and/or monetary regulation instruments issued by the Argentine Central Bank for instruments carried at amortized cost; (4) asset valuation adjustments notified by the Office of the Superintendent of Financial and Foreign Exchange Institutions –whether or not accepted by the entity- pending registration and/or such adjustments indicated by the external auditors which have not been recorded in the accounting records; (5) individual deductible amounts –from asset valuation- granted by the Office of the Superintendent of Financial and Foreign Exchange Institutions, including adjustments resulting from failure to consider the agreed-upon conformance plans. In addition, entities may not distribute dividends out of profits derived from the first-time application of the International Financial Reporting Standards (IFRS), and are required to set up a special reserve to be released for capitalization purposes only or to offset potential negative balances under “Retained Earnings.” The distributable amount may not compromise the entity’s liquidity and solvency either. This requirement will be deemed to have been met if no deficiency is found in the payment of the minimum capital requirement - on an individual and on a consolidated basis - for the fiscal year the retained earnings at issue are attributable to, or otherwise in the last closed position available as of the date the Argentine Central Bank’s authorization has been applied for, whichever shows less excess in the payment of the requirement, considering the following effects on the basis of the data available as of each of such dates: (a) the effects of deducting from assets the items detailed in sections (1) through (5) in the preceding paragraph; (b) the effects of failing to consider the deductible amounts granted by the Office of the Superintendent of Financial and Foreign Exchange Institutions affecting minimum capital requirements, payments or position; (c) the effects of deducting the following items from retained earnings: (i) the distributable amount and, where applicable, the amount set aside for the reserve for interest payable on debt instruments, which might become part of the entity’s regulatory capital (*responsabilidad patrimonial computable*), as per the proposal submitted to the Office of the Superintendent of Financial and Foreign Exchange Institutions; (ii) credit balances resulting from the application of tax on minimum presumptive income, net of the allowance for impairment, which have not been deducted from Tier 1 capital, pursuant to the guidelines on "Minimum capital requirements for financial institutions"; and (iii) the adjustments made by the entity as per the preceding sections (1) through (5). On the other hand, the rules establish a capital conservation buffer additional to the minimum capital requirement in order for entities’ to accumulate equity to face potential losses, thus mitigating the risk of default on this requirement. This conservation buffer

				shall be equal to 2.5% of the entity's Risk-Weighted Assets ("RWA"), in addition to the minimum capital requirement. Such conservation buffer rises to 3.5% of RWA for financial institutions qualified as "of systemic importance." (v) individual deductible amounts –from asset valuation- granted by the Office of the Superintendent of Financial and Foreign Exchange Institutions, including adjustments resulting from failure to consider the agreed-upon conformance plans; (vi) credit balances resulting from the application of tax on minimum presumptive income, net of the allowance for impairment, which have not been deducted from Tier 1 capital, pursuant to the guidelines on "Minimum capital requirements for financial institutions"; and (vii) the Entity's additional capital requirement is a ratio of Tier 1 Capital to Risk-Weighted Assets ("RWA") higher than 7.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
PRINCIPLE VI. MAINTAIN DIRECT AND RESPONSIBLE BONDS WITH THE COMMUNITY				
The corporate governance framework must:				
Recommendation VI: Disclose to the community matters concerning the Issuer and provide a direct means of communication to the company.				
VI.1: The Issuer has a website accessible to the public and updated that should supply not only relevant company information (the Bank's By-laws, the conglomerate, the composition of the Board of Directors, financial statements, annual reports, to name but a few) but also receive the concerns of users in general.	X			The Bank has its own web-site, available to the public at large (www.hipotecario.com.ar) that provides institutional information that is updated, easy to access, adequate and differentiated and that deals with the Bank's operations, including (i) the Annual Report, (ii) the Financial Statements, (iii) Share Structure, (iv) Highlights and etc. In this regard, it is the Bank's policy to fully and accurately disclose its financial position to national and international capital markets. The Bank abides by this policy for the benefit of its shareholders and also in compliance with stock exchange regulations and the applicable laws governing the issuance, offering and circulation of securities. The web site also has an e-mail service for users to post their concerns.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
VI.2: The Issuer releases a Social and Environmental Responsibility Statement on an annual basis, verified by an independent External Auditor. If this statement is released, state its scope or its legal or geographical coverage and where it is available. Specify the rules or initiatives adopted to implement the corporate social responsibility policy (Global Reporting Initiative and/or the UN's Global Pact, ISO 26.000, SA8000, UN's Millennium Development Goals, SGE 21-Foretica, AA 1000, Ecuador Principles, to name but a few).		X		The Bank issues an annual statement concerning corporate social responsibility and the environment under the name "Sustainability Report". It has been designed on the basis of the guidelines provided by the international indicators under the Global Reporting Initiative (GRI) and the Sectorial Supplement of Financial Services. The Bank is committed to such Sustainability Report being promptly verified through an independent External Auditor report.

BANCO Hipotecario

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
PRINCIPLE VII. REMUNERATE EQUITABLY AND RESPONSIBLY				
The corporate governance framework must:				
Recommendation VII: Establish clear policies to remunerate the Issuer's Board and Senior Management members, giving special consideration to any limits imposed by contracts or the by-laws based on the existence of earnings or not.				
VII.1: The Issuer relies on a Remunerations Committee.			X	The Bank has a Personnel Incentives Committee in accordance with the rules laid down by the Argentine Central Bank in Communiqué "A" 5201, which is entrusted with the main mission of supervising the system of incentives. To that end, this Committee has the following duties: (i) To lay down the policies and practices to financially incentivize personnel to manage risk, capital and liquidity, (ii) To establish that the policy to financially incentivize personnel should be in harmony with any statutory provisions governing this matter, and (iii) To establish that the financial incentives for the benefit of the organization's members (a) should be tied to the contribution by each individual and each business unit to the Company's performance, (b) should be established in line with the objectives sought by the Company's shareholders, and (c) should be sensitive to the time dimension of risks and (iv) To promote and coordinate the annual assessment of the system of financial incentives to personnel, which must be conducted by an independent area of the Company or an external entity. Although the above-mentioned committee does not satisfy all of the conditions imposed on the Remuneration Committee by the Argentine Securities Commission's rule, its mission is to control and/or supervise the design of the system of financial incentives to personnel which should take into account the risks assumed on behalf of the Bank considering both future risks and those already existing and adjust incentives by all the risks, including those that are difficult to measure such as liquidity, reputation and cost of capital risks.
VII.1.1. through VII.4.				Considering what has been discussed in Section VII.1. these sections are considered as "Not applicable".

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<tr><th rowspan="2"></th><th colspan="2">COMPLIANCE</th><th rowspan="2">NON-COMPLIANCE</th><th rowspan="2">REPORT OR EXPLANATION</th></tr>
<tr><th>TOTAL</th><th>PARTIAL</th></tr>
<tr><td colspan="5">PRINCIPLE VIII. FOSTER ENTERPRISE ETHICS</td></tr>
<tr><td colspan="5">The corporate governance framework must:</td></tr>
<tr><td colspan="5">Recommendation VIII: Guarantee ethical behaviors at the Issuer.</td></tr>
<tr><td>VIII.1: The Issuer relies on a Code of Enterprise Conduct. Indicate the main guidelines and whether it is available to the public. This Code is signed by, at least, the members of the Board of Directors and of senior management. Indicate if the Issuer promotes extending the enforcement of this code to suppliers and customers.</td><td>X</td><td></td><td></td><td>The Bank has a Code of Ethics that is published in the Financial Information Highway, and it is committed to conducting its business and social responsibility activities abiding by the highest ethical standards and endeavoring for efficiency, quality, unwavering effort and transparency in all its affairs.

It is of the utmost importance that each member of Banco Hipotecario understands his/her responsibility in complying with the ethical standards and values upheld by the Bank. The Code of Ethics summarizes the general guidelines that must govern the Bank's behaviors as well as the behaviors of all of its members in the discharge of their functions and in their commercial and professional relations. No person, irrespective of the work performed or the office served in at the Bank, is empowered to draw exceptions to this Code of Ethics.

This Code’s Foundational and Main Ethical Standards are: (a) Honesty, (b) Conflict of interest, (c) Commercial Relations, (d) Commercial practices, laws and other commercial rules and regulations, (e) International transactions, (f) Relations with customers, suppliers, sellers, agents, public officials and government entities, (g) Entertainment, (h) Political contributions and (i) Purchase and sale of securities.

This code is accepted and signed by all of the directors, managers and the rest of the personnel as soon as they join the Bank. In turn, all of the Entity’s employees may access the text of the Code published in the Company’s main intranet page.</td></tr>
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Banco Hipotecario

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
VIII.2: The Issuer relies on mechanisms to receive reports about illegal or unethical behaviors submitted personally or by electronic means ensuring that the information relayed is treated in the outmost confidentiality and abides by the highest standards of information recording and preservation. Indicate if the service to receive and assess reports is rendered by the Issuer's personnel or by external independent professionals to afford whistleblowers increased protection.			X	The Bank's employees may place their enquiries or reports about suspected deviations from the Code of Ethics directly with the Transparency Line in place to such end (toll-free number: 0800 - 222 - 3368, and e-mail address: transparencia@hipotecario.com.ar). The communication channel allows workers to warn about irregularities or situations adverse to an adequate ethical environment. It is a confidential communication channel within the Entity so that the Bank's employees have at their disposal, 24 hours a day, 7 days a week, a confidential and safe means to anonymously report on incidents of corruption or situations adverse to an adequate ethical environment. These reports are directly relayed to the Ethics Committee, which will decide which actions to take. Workers play an authentically leading role in these reports because of their proximity to the information and it is for this reason that the Committee maintains such contacts confidential. In both cases, the Committee vouches for the transparency of the process and the anonymity of the reports for those who do not wish to identify themselves upon reporting an incident. Each case shall be confidentially treated by the Ethics Committee. Under no circumstances shall adverse measures be implemented against the person posing the enquiry or the person who in good faith reports suspicions of a potential crime or irregular situation in breach of the provisions laid down by this Code, a law, regulation or internal procedure at the Bank.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
VIII.3: The Issuer relies on policies, processes and systems to handle and find a resolution for the reports mentioned in Section VIII.2. Describe their most relevant aspects and indicate the degree of involvement of the Audit Committee in said resolutions, in particular in those reports associated to internal controls for financial reporting and on the behaviors of Board and senior management members.		X		Through its Code of Ethics, the Bank establishes the mechanisms to handle the reports mentioned and find a resolution for them. As discussed in the previous section, the reports are directly relayed to the Ethics Committee as this is the party that will decide which actions to take. Workers play an authentically leading role in these reports because of their proximity to the information and it is for this reason that the Committee maintains such contacts confidential. In both cases, the Committee vouches for the transparency of the process and the anonymity of the reports for those who do not wish to identify themselves upon reporting an incident. After the request is received, the process required to respond to the enquiries and/or to corroborate the reports starts. It is a stated objective of the Bank's Board to afford a formal treatment to all the enquiries and reports received, adopting, in all cases, a resolution. This resolution shall be communicated through a formal response via the channel considered relevant in each case. The Ethics Committee will weigh the degree of involvement of the Audit Committee in these actions. This notwithstanding, when the behavior analyzed is that of Entity members other than directors, the general manager or department managers, it will be the manager in charge of the internal audit department who will take part in the analysis of the cases.

	COMPLIANCE		NON-COMPLIANCE	REPORT OR EXPLANATION
	TOTAL	PARTIAL		
PRINCIPLE IX: FURTHER THE SCOPE OF THE CODE				
The corporate governance framework must:				
Recommendation IX: Promote the inclusion of the provisions inherent in good corporate governance practices in the Bank's by-laws.				
The Board of Directors evaluates whether the provisions of the Corporate Governance Code must be reflected, in whole or in part, in the Bank's By-laws, including the general and specific responsibilities of the Board of Directors. Identify the provisions will be actually included in the Bank's By-laws as from the coming into force of the Code until to date.			X	In this respect, on top of the current provisions contained in the Bank's By-laws, the Bank has those of the Corporate Governance Code and the Code of Ethics approved in due time by the Board of Directors and disseminated through the Financial Information Highway. Aimed at preventing conflicts of interest, these provisions deal with the treatment to be afforded to the personal interests of the organization's members without distinguishing between positions and hierarchies. The Board of Directors estimates that there is no need to reflect the provisions of the Argentine Securities Commission's General Resolution 622 in whole or in part in the Bank's By-laws.

Autonomous City of Buenos Aires, March 6, 2019.

Saúl Zang
THE BOARD OF DIRECTORS